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# **The Rise of a Chinese Bourgeoisie and the Potential for Democratic Transition**

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## ABSTRACT

This project examines the logic of China's political history and the potential for its democratic political transformation in the 21<sup>st</sup> century. Using the ideas of Moore and Skocpol the project employs a comparative historical sociology to explain the emergence of the liberal democratic political order in the 18<sup>th</sup> century western transformations as organized by an emerging bourgeoisie. The end goal of the project is to determine if the creation of a Chinese entrepreneurial class, which does exist in economic terms as a result of market activity and the devolution of state power, can be taken as evidence of an imminent shift into social structure associated with a bourgeoisie that embodies economic, cultural *and* political power.

The analysis of the western transformations identifies the evolution of a bourgeois culture from the 16<sup>th</sup> up until the 18<sup>th</sup> century. The 16<sup>th</sup> century saw the rise of the rationalization and secularization of the entrepreneur - reason became the standard that would guide society, not the dogmas of traditional authority. The 17<sup>th</sup> century built on this by emphasizing the importance of property and law – as ways of realizing the newfound philosophical development that emerged in the previous century. Finally, the 18<sup>th</sup> century witnessed a profound emphasis on the constitutional rule of law and democratic process. These three sets of liberal values – the rise of reason over the dogmas of the state or church; emphasis on property and law; and emphasis on democratic principles and constitutional governance – are the defining features of emergent bourgeois government.

The analysis of the failed eastern transformations reveals how economy and state gravely checked the rise of a bourgeoisie and its transformation of the traditional state. The comprehensive state machinery – such as existed in China and Russia – imposed autocratic constraints on the force of the market and its social attachments and political products. Until social forces could create a space for market organization and property-law within the economic system, the state maintained its autocratic monopoly. In the last 20 years the logic of Moore has been resumed in China, as markets and property have emerged with force and the state system has resiled from its traditionally autocratic role, albeit with property-capturing and law-distorting corruptions. As Moore's logic once more exerts itself we should see change in China from market organization to property-law to a specific culture as the foundations of bourgeois political transformation.

# Table of Contents

Abstract .....	ii
List of Tables .....	vii
List of Figures .....	vii
Statement of Copyright .....	viii
Acknowledgements .....	iv
<b>1. Introduction .....</b>	<b>1</b>
1.1 The Significance of China's Entrepreneurial Class in the 21 <sup>st</sup> Century.....	1
1.2 Hypothesis and Research Questions .....	7
1.3 Structure .....	14
<b>2. Research Methods .....</b>	<b>20</b>
2.1 The Epistemological Foundation .....	20
2.2 Elite-Intensive Interviews .....	23
<i>Interviewing Private Entrepreneurs in China</i> .....	26
<i>Questionnaire Design</i> .....	26
<i>Subject Selection and Interview Process</i> .....	28
<i>Limitations of Interviews</i> .....	31
2.3 Content Analysis: Newspapers, Media, and Chinese Language Sources .....	32
<b>3. The Bourgeois Model of Development: Economic Freedom, Liberal Philosophy, and the Quest for Political Representation .....</b>	<b>34</b>
<b>Introduction .....</b>	<b>34</b>
3.1 Marking the Bourgeoisie: Economic Freedom, the Critical Public Sphere and Liberal Political Philosophy .....	37
3.2 The Advent of Western Liberalism and Social Revolution .....	45
<i>Political Transformation in England: The Gradual Route to         Constitutional Governance</i> .....	46
<i>Political Transformation in France: The Delayed and Violent Route to         Constitutional Governance</i> .....	51

<b>Conclusion</b> .....	58
<b>4. The Fate of the Eastern Bourgeoisie in Transition</b> .....	61
<b>Introduction</b> .....	61
4.1 The Rise and Fall of the Chinese Bourgeoisie: 1862-1927 .....	62
<i>The Chinese Merchant and Traditional Society</i> .....	62
<i>Post-Revolution and the Emergence of a Chinese Bourgeoisie</i> .....	70
4.2 The Russian Bourgeoisie in Transition .....	81
<i>The Weight of Autocracy in Late Tsarist Russia</i> .....	81
<i>A Divided Bourgeoisie in Revolution</i> .....	88
<b>Conclusion</b> .....	94
<b>5. China's Private Entrepreneurial Class and the State: 1949-1989</b> .....	97
<b>Introduction</b> .....	97
5.1 The Liquidation of the Chinese Entrepreneur: 1949-1976 .....	98
<i>The First Eight-Year Period and the Withering of Bourgeois Society</i> .....	98
<i>The Fall of Maoist China and the Struggle for Bourgeois Existence</i> .....	106
5.2 The Re-Creation of the Chinese Entrepreneur, 1978-1989: 'To Get Rich is Glorious' .....	117
<i>The First Decade of Reform: A New Direction in Party Ideology and State Modernization?</i> .....	117
<i>The Social and Political Consequences of Economic Reform: the Tiananmen Crisis and the future of a Chinese Bourgeoisie</i> .....	124
<b>Conclusion</b> .....	128
<b>6. China's Private Entrepreneurs: Towards Rationalization and Secularization</b> .....	131
<b>Introduction</b> .....	131
6.1 The Growth of the Private Sector and the Rise of the Private Entrepreneur .....	132
6.2 The Rise of the Rational and Secular Entrepreneur in Contemporary China .....	139
<i>Market Opportunity and the Rationalization of the Entrepreneur</i> .....	139

<i>The Autonomy and Secularization of the Entrepreneur</i> .....	148
<b>Conclusion</b> .....	157
<b>7. China's Private Entrepreneurs: State Predation and the Rise of Property-Law Interests</b> .....	159
<b>Introduction</b> .....	159
7.1 Liberalism's Rule of Law and China's Rule by Law .....	160
7.2 State Predation in Contemporary China .....	166
<i>Political Corruption and Property Rights</i> .....	166
<i>The Rise of the Entrepreneurs' Property-Law Interests</i> .....	182
<b>Conclusion</b> .....	192
<b>8. China's Private Entrepreneurs: Towards Political Independence, Liberal Political Values, and Organized Political Power</b> .....	194
<b>Introduction</b> .....	194
8.1 Private Entrepreneurs and the Party: Co-optation or Entrepreneurial Independence? .....	195
8.2 The Politicization of China's Entrepreneurial Class .....	203
<i>Political Awareness and Liberal Political Values</i> .....	203
<i>The Evolution of Rights-Based Organization</i> .....	210
<b>Conclusion</b> .....	220
<b>9. Conclusion: The Inevitability of a Chinese Bourgeoisie</b> .....	222
9.1 Revisiting the Research Area and Hypothesis .....	222
9.2 The Political Success of the Western Bourgeoisie .....	225
9.3 The Political Failure of the Eastern Bourgeoisie .....	227
9.4 The Political Rise of the Contemporary Chinese Bourgeoisie .....	233
<b>Appendices:</b> .....	242
Appendix 1: Introduction letter for interviews .....	242
Appendix 2: Interview questionnaire (English and Chinese versions) .....	244

Appendix 3: Interview transcript (Witness 9).....	248
Appendix 4: Interview transcript (Witness 14).....	255
Appendix 5: Interview Transcript (Witness 7) .....	265
Appendix 6: Interview Respondents' Information.....	273
Appendix 7: Causal Modeling of Liberal Development in England and France .....	274
Appendix 8: Causal Modeling of Liberal Development in Contemporary China .....	275
<b>References .....</b>	<b>276</b>
Academic literature .....	276
Newspapers .....	293
Periodicals .....	298
Websites .....	299



## **List of Tables**

Table 1: The Growth of Private Enterprise and Private Entrepreneur, 1989-2009.....	128
Table 2: Private Entrepreneurs' Contributions to State and Society.....	131
Table 3: Motives for Engaging in Market Opportunities.....	134
Table 4: The Entrepreneur's Perception of Corruption.....	171
Table 5: The Entrepreneur's Perception of Corruption as it Affects Business Activity.....	171
Table 6: Interview Respondents' Information .....	268

## **List of Figures**

Figure 1: Causal Modeling of Liberal Development in England and France .....	269
Figure 2: Causal Modeling of Liberal Development in Contemporary China.....	270

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# **1. Introduction**

## **1.1 The Significance of China's Entrepreneurial Class in the 21<sup>st</sup> Century**

The Chinese political system has a longstanding history of ideocratic government, that is: 'a political system where the right to rule is based on the government's claim to possess special truths and insights imparted by an absolutist and comprehensive ideology' (Chang, 2002, 45-46). At certain stages in the course of China's history, this ideocratic government has held absolute power and in particular an ability to wield power over the development potential of economic and sociological structures. One consequence of this is that the possibilities for economic freedom and the rise of a modern China have been severely limited until the decline of the Maoist state in 1978. With the advent of new economic and sociological structures in China, the previous absolutist-ideological frameworks of the Confucian and socialist systems that acted to support an omniscient authority and passive sociology, have been severely compromised and de-legitimized, giving way to a degree of unrestricted space for newfound social mobilization, organization and power.

In the past 100 years since the fall of dynastic organization, China has essentially experienced three periods of attempted modernization. The first period falls within the years of 1911 to 1949. In this period, China's inability to successfully modernize the nation rested in its emphasis on traditional modes of production, utilizing peasant laborers and agriculturally-based economic systems; even if commercialized, it was not mechanized and industrialized. Thus, though localized areas of China, most emphatically the case of Shanghai represented isolated examples of China's growing modernity, both economically and socially, overall China was unable to extend modernization from areas such as Shanghai to the rest of China's vast – and traditional - interior. Thus, although Chinese society in general and the elites in particular realized that the traditional political institutions had failed to lead China, and therefore, the fundamental Confucian precept of subservience to authority had eroded in the wake of the 1911 Revolution, China's previous failure to modernize its socioeconomic organization ultimately led to the politically vacuous, underdeveloped

and militarized environment that characterized this period (Bergère, 1989; Bergère, 2009; Fairbank, 1986; Levy, 1949).

The second period, from 1949 to 1978, was a period where China had managed to find a solution to the political vacuum that had led to social and economic regression over the course of nearly four decades. Notwithstanding, though a political authority had emerged, successfully claiming sole leadership over China, a different problem emerged for China's entrepreneurial class and economic environment while realizing a similar – if not more detrimental - outcome: a political leadership had emerged capable of providing the necessary support for the platform of a bourgeois sociology, though in this case, the Maoist-type state's ideological framework stipulated that all capitalist elements were enemies of the state and were subsequently liquidated from the fabric of socioeconomic life in China. The Maoist state's socialist ideology not only fundamentally viewed the capitalists as class enemies and enemies of the state, but furthermore, Mao's cult of personality contributed to a lasting fear in the Chinese population, where mass campaigns largely targeting the capitalists – either directly or indirectly – successfully terrorized this class leading to a lasting fear within their ranks (Gardner, 1969; MacFarquhar, 1974, 1983, 1997).

In the third period, from 1978 until present-day, China has once again embarked upon a developmental path that is altogether distinctly different from the era of the Republic and the Maoist era: a national political authority exists in the Chinese Communist Party (CCP), which distinguishes it from the era of the Republic; and bourgeois elements are not sought out for liquidation but instead are encouraged to produce and prosper, short of exercising bourgeois tendencies that are political in nature. The most significant factor behind this transformation of state and society exists within the social complexities and product of economic freedom – the emergence of a new, modern proletarian class and the possibilities for a new and rising bourgeoisie. In the western course of development, including America, England and France, the rise of a bourgeoisie was not only an inevitable outcome of the emergence of economic freedom; more importantly, their emergence correlated with the rise of a constitutional imperative and democratic process in place of absolutist governance. The political principles that came to define this new institutional order were premised on property-law interests that were catalyzed by the growth of private

property and the lack of legal institutionalization. State predation pervaded, and ultimately contended, with the evolving independence of a bourgeois society, fostering reform and revolution within the political institutions. China is equally at a political crossroads.

Thus, as a result of China's economic growth, the subsequent sociological outcome, and the diminishing ideological power of the party, the possibilities for a Chinese bourgeoisie, that is a class for itself, deserves particular scholarly attention. Similar to the growth of a bourgeois society in the West, economic and legal variables in China are producing a synergetic effect, manifesting in the rise of a bourgeois society. A bourgeoisie in the economic sense of the term has emerged in China: an entrepreneurial class that exudes rationality and autonomy within the economic sphere, with an eye for profit and elevation of socioeconomic status. This newfound independence in the economic sphere has also led to the breakdown of China's centuries-old system of subservience and indifference to the political authority. In turn, a bourgeoisie in the legal sense of the term has also emerged: their rise within the economic sphere has encountered particular difficulty with the expansion of state predation in the reform era, and this in turn is a primary driver of their desire for the rule of law and ultimately constitutional governance. As a consequence, the party is no longer in a position where it controls ideology, but instead, is in a position where it must attempt to manage the growth of liberal ideas emerging and swelling below its reach that it in fact created in the policy of reform and opening up in 1978. Thus, the key political question seems to be when will China experience political transformation that produces a system of constitutional rule of law, direct elections, and basic freedoms that are required by this modern economic and socially complex organization? The alternative question – whether China will ever experience this political transformation – recedes with each decade.

Nonetheless, western scholarship has tended to discard the notion of a liberal Chinese middle class, and a truly autonomous civil society, for several reasons. For one they are considered heterogeneous, without unification, and embodying seemingly apolitical characteristics (Cheng Li, 2010). Another important and related factor is the observed symbiosis between the party and private entrepreneurs, otherwise known as the party's mechanism of co-optation. The symbiosis that has been observed in

contemporary China is reminiscent of the dynastic relationship between the bureaucracy and the merchants, where vertical hierarchies represented the path of mobility, instead of a path of horizontal integration and autonomy. Finally, the state uses a corporatist model (characterized by state organs that oversee the affairs of the business community) to influence and control China's emerging entrepreneurial class (See Dickson, 2003; 2008; and 2010).

Much of the research on China's middle class and its lack of connection to democratic pursuits points to a lack of shared identity (throughout most of the reform era) among China's contemporary private entrepreneurs. Specifically, the first generation in the reform era, or those who have experienced both traditional and modern China, represents a more diverse array of characteristics and identities (Tsai, 2007, 103). Many scholars point to their diverse backgrounds in order to conclude that a level of shared identity is still distant realization for this emerging sociology (ibid, 71, 76). In Kellee Tsai's interviews, for example, many of the interviewees represent diverse backgrounds, and backgrounds that are still traditional in nature, i.e. a generation that was previously associated with traditional sectors such as state industry or agriculture (ibid, 78-79). As a result, traditional barriers and diverse backgrounds inhibit a modern integration around shared interests.

In the 1980s, a large number of the newly emerging entrepreneurs were previously associated with traditional agriculture; in fact, according to Zhang Houyi's research, prior to 1989, 31.1% of the individuals who started businesses were former cadres in township or rural areas; 14.9% were former workers; and 15.2% were former peasants. Furthermore, an investigation conducted in the summer of 1983 seeking to find the original identity of 103 managers in Shanxi Province revealed that 46.6% of these managers were formerly either agricultural grass-roots cadres, or, commune factory directors (1999, 248-249). Moreover, after 1992, a large number of individuals starting businesses were formerly employed in state-owned and run institutions. Thus, what we could observe in these decades was an entrepreneurial class that carried with it significant barriers to realizing liberal characteristics. Statistics presented by Zhang Houyi in the late 1990s reveals that the majority of entrepreneurs had ordinary laborer backgrounds, and moreover, that the educational

attainment of the vast majority had only reached Middle School and High School levels (a total of 41.7% and 31.4%, respectively) (Zhang Houyi, 1999, 248).

The corporatist (co-optation into the party; and associational oversight) and symbiotic system (between party and entrepreneur) within China, as a result of the longstanding authoritarian state, reveals an environment where it is unlikely that the entrepreneur's formal political involvement will lead to bourgeois power shaping the political system. State corporatism is one primary mechanism for party oversight, relating to its oversight of associational activity, particularly business activity. This structure is adopted in developing nations in order to compensate for the state's loss of control over socioeconomic forces. The system is characterized by the construction of one sole association representing that entire sector's interests; and this overarching association is responsible for directly reporting to the state (Unger, 1996; Unger, J. and Chan, A., 1995).

State co-optation is a longstanding method employed by Chinese authorities for the purpose of controlling social elements and preventing their contention with the state hierarchy and its absolute control. Bergère notes this phenomenon in the Imperial authority's attempts to curb western actors' infiltration into China and the authorities subsequent slow loss of control. In this case, the Chinese Imperial authorities attempted to actually co-opt the western "barbarians", in a subordinate fashion, into the bureaucratic hierarchy (2009, 20). In contemporary China, the historically unprecedented speech by Jiang Zemin in 2001 represented the party's most serious attempt to develop corporate control over the entrepreneurs through the mechanism of party co-optation.

Bruce Dickson characterizes the ruling party's engineered symbiosis as "crony communism." This co-optation has created a level of comfort for both the private entrepreneur and the party, since for the party it garners support from an otherwise powerful, independent and oppositional sociology, and for the entrepreneur it (initially) provides easier access to property and resources (wealth) and overall legal protection. The private entrepreneurs generate growth and jobs in the economy and therefore legitimize the CCP; and the party encourages its members to get rich, and facilitates this command through a privileged distribution of resources (2010). As he



notes, 'the CCP has integrated with the private sector...not just to forestall the emergence of the private sector...but also to gain material benefits' (2010, 297). As noted above, this also has a negative impact on entrepreneurial attitudes towards the Chinese regime; on many occasions it turns into government intervention and exploitation, through abuse of power.

Some research has suggested that many find party membership in order to fulfill a political interest and aspiration, such as obtaining a post in the National People's Congress (NPC) (Dickson, 2010, 43-44; 2008). As one author notes, although some participate in politics for the advantageous connections involved, 'other entrepreneurs want to participate because they are interested in politics' (Eun Kyong Choi and Kate Xiao Zhou, 2001, 125). But overall, those who are in political posts do so as a guise for privilege; and the majority of entrepreneurs are not interested in party membership or political posts. But the state is also used by the entrepreneur – observed in western development – while the entrepreneur is evolving from a position of weakness to a position of strength, and for the entrepreneur to satisfy his economic interests. As Dickson notes, in light of the CCP's efforts to create "branches" into the private entrepreneurs business by the way of party organizations, the entrepreneurs have been less than interested in its involvement. The only cases where significant interest is observed is in the instance of large enterprises, where as articulated above, the entrepreneur is forced to become a Red Capitalist – to reduce party fear of independent power, and, to reduce the entrepreneur's risk of state expropriation of private property (2008, 101-134).

Ultimately, if China is to evolve in line with the western bourgeois model, it must under the following condition: 'that bourgeois attitudes have to become stronger, rather than the other way around, as happened in Germany' (Moore, 1966, 425). The co-optation of entrepreneurs; the lack of a formidable critical entrepreneurial realm (a political bourgeoisie); and emphasis on economic interests while de-emphasizing political interests observed by these studies does not shatter the evolution of a Chinese liberalism. When examined further, a different picture emerges: economic transition has converted prior managers of SOE's into entrepreneurs, who continued to be aligned with the state, while private entrepreneurs show little interest in forming ties with the party-state machinery. Furthermore, outside of the state we see the growth of

independent entrepreneurial forces which are showing signs of liberal evolution – that is with property-law interests and emerging liberal political values. Although a bourgeois society capable of forcing democratic change will not evolve over night, evidence suggests a sociological trajectory with significant potential to eventually develop into a mature bourgeois society.

## **1.2 Hypothesis and Research Questions**

### **Hypothesis:**

**In remaining consistent with the historical trajectory of liberal development, the widespread expression of economic freedom in China will foster the rise of a new sociological structure. This will particularly be driven by the emergence of an entrepreneurial class which has the potential to become a bourgeoisie: a capital-owning class with property-law interests, and a growing desire to implement measures – in particular the constitutional rule of law and democratic process – that effectively protect the entrepreneur’s property rights by transferring the balance of political power from state to society.**

The rise of the modern liberal order, with the transformative process commencing as early as the 13<sup>th</sup> century, reveals that once the shackles of sociological mobility and growth that are tied to the traditional economic sphere – a system predominated by servitude and production for consumption – are broken and economic freedom expands, a certain sociopolitical path of modern development is set in motion. The political consequence of these modernizing activities depends on the sociology’s evolving characteristics: the sociological response to economic freedom – the rationalization and secularization of the individual; the sociological response to state predation - the rise of property-law interests; and the sociological response to the continued absence of legal institutionalization – greater independence from the state, and the rise of a rights-based political initiative. The growth of a bourgeois society in both the economic and legal sense of the term provides the impetus for the growth of a politicized bourgeoisie, a class for itself, which has as its object the principles of

democratic process and constitutional rule of law. Thus, with the advent of economic freedom, the pervasion of state predation, and the growing independence of a bourgeois sociology, we should expect to see the growth of a critical-political public sphere that contends with China's one-party institutions.

**Q1: What were the independent variables that surrounded the western historical evolution of the liberal entrepreneurial class in the transition from a feudal-agrarian and a political absolutism to a modern-capitalist and democratic nation?; and how did they interact and evolve to produce a liberal ruling class: a bourgeoisie?**

This question represents the starting point of the research. It seeks an historical understanding of the ideal bourgeois class model, particularly, locating and assessing the variables that facilitated the emergence of a liberal entrepreneurial class: economic freedom; state predation; and sociopolitical independence from the state. It seeks a structuralist explanation – as identified and explicated by Barrington Moore, Jr. – in order to provide the theoretical framework and associating causal modeling for the dissertation, and ultimately, to test against the contemporary Chinese context of sociopolitical development.

The theoretical work of Barrington Moore, Jr., is used as the dissertation's theoretical framework for several reasons: 1) Mooreian logic convincingly substantiates the causes – independent variables – that lead to certain political consequences, focusing primarily on the evolution of the sociology of a nation, and how they respond to the independent variables of economy and state in the context of modernization, which in turn determines the type of political outcome within state transition; 2) Mooreian logic - through comparative methodology - explains not only the western context of liberal evolution via a bourgeoisie, but equally explains causes for the eastern transitions' diversion away from liberalism and towards the route of communism; and 3) a Mooreian inspired analysis and causal modeling explaining the Chinese and Russian illiberal path helps substantiate a structuralist approach over the culturalist approach - which argues that China's cultural heritage precludes it from any success in liberal modernization. Thus, although the argument could be made for the incorporation of analysis concerning Chinese culture in the context of its

sociopolitical development, the culturalist element and argument is set aside for this particular thesis, as indeed it could represent an entire thesis on its own. This research intentionally focuses on structural analysis and explanation for China's current modernization and future political outcomes in the ultimate belief that structural variables are highly effective in their role as explanatory tools.

**Q2: How did the specific variables of economic freedom, state predation and political alignment evolve in the eastern transitions so as to produce an altogether illiberal outcome?**

This question seeks to discover a similar understanding of the processes and variables examined in the first research question, though, in this instance the objective is to understand why the fundamental variables involved interacted in a way that produced different sociological and political outcomes. In the examination of these eastern transitions, it becomes evident that first and foremost the economic organization adopted - that of the continuation of feudal appendages to the autocrat and their exploitation of traditional agrarian sociology in the peasantry - were of great consequence to the political organization of the nation. In these transitions, communism developed as a result of the continuation and growth of peasantry amidst a lack of mechanization of agriculture, and the continuation of a sociology supportive of the autocratic state. Thus, in the comparative analysis of western and eastern transitions, we can deduce the importance of economic freedom and the opportunity existent in markets to develop capitalist organization, including, the sociological product in the rise of an entrepreneurial class that becomes increasingly bourgeois in all senses of the term: economic, legal and political.

**Q3: Why did the People's Republic of China (PRC) first crush the business class and then purposefully re-invent it and with what kinds of social and political consequences?**

The first part of this question seeks an understanding of the relationship between the entrepreneurial class that had evolved within China's coastal regions during the first half of the 20<sup>th</sup> century - and one that had evolved into a bourgeoisie in pockets such as Shanghai - and the CCP and its goals for socialist reconstruction. The bourgeoisie

that had emerged in the Republican period finally had a stable political organization to assist them in their economic endeavors; but the CCP had very different economic, social and political ideas in mind. The consequence for the bourgeoisie was their complete liquidation by the end of the Great Proletarian Cultural Revolution; for the party, the consequences were that it would be required to revise significantly its policy in 1978, and in a way that would compromise its authority and slowly erode its social base. The second part, then, examines the social and political consequences of the policy to reform and open up to the outside world in 1978. The first decade of reform, and its policy vacillations, reflected the reservations of many party leaders for precisely this reason: economic freedom would lead to social pressure and power and ultimately would present a grave threat to its vanguard authority. The Tiananmen crisis in 1989 was the social and political manifestation of these reforms. Deng Xiaoping's bold decision to accelerate these reforms in 1992, and his success in implementing them, would place the party's absolute power in greater jeopardy.

**Q4: To what extent have markets created economic opportunity, and in turn, forged privatization in the form of private entrepreneur and private enterprise?; and as a result of this, to what extent are China's entrepreneurs becoming rational and secular?**

This question looks at the first variable in the making of the liberal entrepreneurial class – that of the advent of capitalism and the entrepreneur as the direct sociological product of this economic organization, and the entrepreneur's response to this newfound environment of economic freedom. In the western course of development, the rise of markets and the opportunities they presented created new and rational social elements – entrepreneurs who engaged these opportunities and as a result were transformed in thought and practice. Subsequently, the ideological power which the church and state had wielded over society began to erode as these rising social elements began to question its legitimacy; the rising bourgeois elements shifted away from dependence on the dogmas of church and state and in its place created a new, and liberal, philosophy. Thus, as the entrepreneurs emerged economically rational and philosophically independent they also forced a breach in the preindustrial organism from which would provide the impetus for the growth of independence and interests

beyond the confines of the economic sphere, developing a specific set of interest and rights-based initiatives that would come to define the bourgeoisie.

**Q5: How has the absence of a property-law environment, and the occurrence of state predation, effected the entrepreneurial class, and with what consequences for the development of an interest-based, socially powerful initiative based upon the need for the constitutional rule of law?**

This question addresses the dilemma – between entrepreneur and the state - that begins to emerge in the entrepreneur's quest for increasing protection of private property and as economic reform and freedom accelerates amidst a lack of political reform. In this context of sociological development, the rise of the entrepreneur also symbolizes the rise of private property and individual wealth and power; the entrepreneur is thus in increasing need of a system that not only protects but also encourages this newfound sphere of growth. In the case of China, continued resistance to political reform has exacerbated the sphere of corruption in general and corruption targeted towards the entrepreneurial class in particular. The state's officialdom abuses its control of strategic resources; its regulatory powers; and law enforcement authority, of which manifests in the form of arbitrary land grabs, required bribes or illegal fees and taxation, to name but a few. As a result, the entrepreneur has become increasingly disaffected with the party and has begun to develop an interest-based initiative highlighting the need for the constitutional rule of law.

**Q6: To what extent does China's entrepreneurial class embody liberal political characteristics such as independence from the party-state; liberal political awareness and a rights-based platform; and active engagement in political discussion and organization?**

This question seeks to measure the extent to which China's entrepreneurs are independent from the political institutions, and intend to remain independent; embody liberal political principles; and exercise associational and organizational agency. The existence of these characteristics within the entrepreneurial class signifies the extent to which the entrepreneurial class has reached the third and final stage of liberal

development and subsequently can be effectively labeled a bourgeoisie – as a class for itself, with its newly defined political framework premised on constitutional rule of law and democratic process as its object. This final stage resembles an amalgamation of the respective stages of progress along the route to liberal maturation, that is, the economic and legal evolution. Economic freedom began the move towards greater freedom in the economic and social spheres; acquisition of private property in conjunction with state predation created the impetus for class solidarity around legal interests; and the effective protection of freedom and property required the institutionalization of new principles – that of democratic politics and constitutional rule of law.

Finally, it will help to briefly mention the debate surrounding modernization theory in general and the ideas of Barrington Moore in particular. In his volume - *The Social Origins of Dictatorship and Democracy* - Barrington Moore, Jr. posits a structuralist argument supporting modernization theory, which posits that economic development, indices of which were identified by Seymour Martin Lipset as industrialization, urbanization, education and wealth, correlate with liberal sociological structural transformation and ultimately democratic institutional change. Moore's structuralist framework, in particular its notion of economic determinism based upon the evolution of markets, commercialization and industrialization, has been criticized on the grounds that it both dismisses the importance of cultural distinctiveness and the external conditions of the time, such as foreign influences. Modernization isn't as universal and linear in transforming sociological and political structures as proponents of modernization theory argue. Instead, other factors, such as cultural rigidity, or foreign intervention, act to either fuel modernization or prevent its application. Thus, the literature has reflected an entrenched debate over the importance lent to structural variables over cultural or even external variables.

The support for a culturalist explanation in the western transitions can be seen, for example, in the work of Max Weber who identified a correlation between Protestantism and capitalism in the west, and in the work of Alexis de Tocqueville, who observed a culture in America 'congenial to democracy' (Weber, 1905; Tocqueville, 1956; Harrison, 2001, xxi); similarly, in the case of China, Lucian Pye identified a culture that correlates with a very different political outcome than that of

democracy in the west - such as the link between Confucianism/collectivism and authoritarianism (Pye, 1988). Weber identified a particular culture behind the capitalism that developed in the west, a liberal economic structure that eventually led to a liberal political transformation (1905). Lucian Pye posits a similar cultural explanation for China's history of totalitarian/authoritarian regimes, stating that 'the secret of the Chinese ability to preserve the notion of a centralized authority lies in a combination of cultural factors' (1988, 185). This includes the Confucian inspired social hierarchy factor which demands absolute obedience to elders, with the top political figure (emperor, chairman) as the highest authority, and with an omniscience that precludes the input of society; a veritable fear of social unrest and its potential for national destruction; and an emphasis on ideology, particularly the Chinese ideological framework which upholds an omniscient, benevolent governing elite and a deferent society (ibid).

Thus, scholars have directly criticized Moore's economic determinism and his discrediting of cultural variables, as well as his absence of analysis related to external variables and how they have affected the course of modernization (Rothman, 1970; Salamon, 1970). Rothman, for example, notes that although Moore cites economic variables behind England's Civil War, it was in fact derived more from religious issues related to 'dissenting sects' (1970, 67). Similarly, America's Civil War was generated not by economic interests but instead by the religious precepts of the day (ibid). Nevertheless, Moore's analysis of comparative historical sociology illuminates the significance of the economic structure, and its interplay with the absolutist/autocratic state, in determining the sociological outcome and political consequence of economic transition. Eugene Lubot notes the benefits of these comparative studies and the ways in which they help illuminate similarities amidst very different cultural settings, noting that 'Both British and Chinese liberals functioned in unique cultural settings, but their experiences contained common elements which seemed to transcend cultural boundaries. One purpose of comparative studies is to define those points of transcendence, thereby enriching our understanding of the human condition' (1982, p. 133). And Barrington Moore's comparative framework presents a convincing analysis of the interplay between the economic and political structure, and their importance in producing either conservative or liberal



social elements that in the course of modernization force a particular political outcome.

### **1.3 Structure**

The structure of the dissertation consists of two parts and six core chapters. The first part (chapters 3, 4, 5) represents the theoretical framework and the historical-comparative analysis. The second part (chapters 6, 7, 8) applies the variable modeling developed in the first part to China, and tests for the presence of the specific independent variables that facilitated the rise of a liberal entrepreneurial class in the west; and it introduces additional independent variables that are emerging in support of the development of a liberal entrepreneurial class.

Chapter 3 examines the socioeconomic and political variables that fostered the rise of a bourgeoisie in the western context – that of English and French development. The independent variables of economic freedom, market demands and opportunity; privileged political institutions and state predation; and the political alignment of the entrepreneur, are examined in an effort to understand how these forces contracted the rise of an independent sociological force in the bourgeoisie, that was characterized by a growing rationalization and secularization; property-law interests; and a rights-based initiative in conjunction with organizational power capable of not only permeating society but also overrunning the state and establishing constitutional rule of law and democratic process. Furthermore, the English and French cases are compared not in the sense that their developmental context witnessed different outcomes, as they both resulted in democratic politics and constitutional governance; instead, they are set against each other in order to uncover the details of their divergent paths on the road to a similar political outcome, and the importance of these factors in assessing China's path toward democratic governance. In short – England experienced a more bourgeois-independent and gradual path toward the modern order, while France experienced a more bourgeois-dependent and violent path in its quest for modernity.

Chapter 4 continues the theme from the first chapter by comparing the western transitions to the failure of the eastern transitions in the cases of Russia and China. In these cases we see a clear divergence in the socioeconomic characteristics of their respective development as well as the alternate political outcomes as a consequence. In China and Russia, the state commanded a central role in determining the characteristics of sociology and polity by 1) limiting the extent of economic freedom and development; and 2) by diverting any nascent sociological independence from the prevailing state and towards dependence on the state for socioeconomic elevation and protection.

In the case of China, significant innovations and technological advancements were achieved during dynastic China – especially during the Ming Dynasty; but overall, dynastic China limited its economic development to commercialization while utilizing traditional relations of production, and increasingly relied on its accelerating population growth. With the Qing Dynasty's rise to power, and its influence in sealing China off from the modernizing trends of the world, it not only delayed China's accession into the modern world, but furthermore, it also sealed its eventual fate as the last dynasty of China. Thus, most devastating for China's path to modernity were the political implications of its failure to transform both economy and society at the close of the Qing Dynasty's reign.

The 1911 Revolution was very different from the bourgeois revolutions in the west, which were catalyzed by growth in economic activity in conjunction with a lack of political reform and rising state predation, which induced a thorough transformation of the political organization and the relationship between state and society. In contrast, China's revolution was catalyzed by a lack of modernizing activity, and the desire of those spearheading the revolution to induce modernization; and one in which conservative actors, who had become disaffected with the dynastic authority, spearheaded the overthrow of the Qing Dynasty. Following revolution, China was left with economic underdevelopment, a conservative sociological structure and an uphill battle to create political institutions and authority that commanded effective national governance.

The Republican Period, specifically from 1911-1937, was a politically oscillating period for China at best and a politically vacuous period at worst – a condition which ultimately limited the otherwise unprecedented development of China's social organization and economic sphere. Shanghai exemplified the localized economic development at that time, especially by the 1920's: a thriving epicenter of economic exchange and native industrial growth; a social organization of growing complexity and rising entrepreneurship; and a resultant sociology that was increasingly imbued with bourgeois characteristics: rationalization and secularization; property-law interests; and eventually a rights-based initiative. But the grave lack of economic development in late dynastic China created the conditions for post-revolution China: an underdeveloped modern sociology incapable of leading China through revolution, and consequently, a society devoid of philosophical consensus necessary for establishing a national political authority based upon democratic principles and constitutional governance.

Thus, the bourgeoisie's desperate move to ally with the Kuomintang (KMT) in the mid 1920s represented the cumulative effect of China's failed developmental paradigm, which had begun in late dynastic era. Failed economic development and economic freedom led to the further entrenchment of the political elite, and their exploitation of the peasantry, all the while provincial communities slowly cut their link with the central government. The 1911 Revolution was not only a conservative led revolution, but one that desired greater provincial autonomy within the continuation of traditional institutions. Consequently we see the rise of warlordism, most emphatically witnessed in the decade from 1917-1927. Deferring to the KMT out of sheer hope for not only national unification but also for further progress in their bid for liberalism, the bourgeoisie had commenced the decline of their bold and unprecedented campaign for a new and liberal China.

The Russian experiment with development similarly exemplified the model of illiberal development and the variables that were so decisive in diverting its path away from liberalism. As the case of Russia unfolds, we see numerous parallels to that of the Chinese developmental context, stemming from Russia's veritable autocracy. Economically, Russian conditions limited the growth of economic freedom, which in turn from the very start set the stage for an alternative sociological and political

outcome. Similar to the case of China, foreign influences were at work; a xenophobic mentality encouraged the continuation of a conservative entrepreneur, as did the lack of economic freedom and the Russian state's emphasis – as was also the case in China – of elevation through the autocratic state. Most importantly, as a result of failed economic growth, Russia failed in its development of a liberal and independent bourgeoisie that would engulf traditional sociology – both peasant and agrarian elite alike. Thus, although revolution commenced in 1905 it ultimately was characterized by its conservativeness more than by any victory for bourgeois liberalism; and equally, the revolution of 1917, that was created from workers' unrest, would also come to reflect the sociological demographics and characteristics of Russia – one of an overwhelming conservative nature in the continuation of workers and peasants, and a minority bourgeoisie in continued dependence on the autocratic state.

Chapter 5 examines the inevitable decline, and ultimately the liquidation, of the Chinese bourgeoisie as a result of the consolidation of the CCP and its rise to power in 1949 as China's absolute authority; and it contrasts this anti-capitalist environment with the unprecedented decision to reform and open up in 1978 – a decision that was a direct result of the catastrophic events of the Maoist era yet a decision with significant social and political consequences. Although the initial years of the party's political control seemed to accept the capitalist class as part of China's social organization, the party's acceptance of their existence was out of necessity for the successful establishment of the CCP. Thus, once Mao believed the party had established its base, the reign of terror on the bourgeoisie began, witnessed in the ensuing Five-Anti Campaign, before degenerating into successive campaigns targeting other specific groups such as the intellectuals, and eventually the entire order – in the Great Leap Forward and the Cultural Revolution. Deng Xiaoping, who personally witnessed the events of the Maoist period and who was indeed a victim at times, was resolved to find a solution even if in relatively radical policy. The decision to reform and open up in 1978 forged a breach in the former ideological and organizational framework, which led to the growth of liberal social forces and political principles that manifested in events such as the Tiananmen crisis. If the decision in 1978 had caused a breach in the ideological fabric of the party, the decision in the early 90s to accelerate economic growth and widen the sphere of economic freedom had commenced the erosion of its very foundation.

Chapter 6 begins part two of the discussion by examining the first stage in the liberal development of the entrepreneurial class in the context of China: the rationalization and secularization of the entrepreneur. The mid-1990s marked a historic development in the history of China's socioeconomic development – that of the accelerated growth of a private economic sphere, and, the subsequent growth of its sociological attachment in the growth of the private entrepreneur and private enterprise. This growth also marked the growing independence of the entrepreneur - that in conjunction with interactions with market mechanisms - has also become increasingly rational. Furthermore, the entrepreneur detached from a blind indifference and subservience to the state as a result of a growing economic independence. Thus, although the party has attempted to preempt this development, by adapting its ideological foundation from Confucianism and socialism and towards a modern nationalism, evidence suggests that the entrepreneur is continuing to move away from acceptance of the state's ideological framework.

Chapter 7 examines the growing contention between China's entrepreneurial class and their evolving property-law interests on one hand, and, the de-institutionalized party organization governed by the individual rule of law and its manifestation of state predation on the other. Although the party has revised the constitution to make concessions towards the entrepreneurs and their growing imperative for property protection, these measures have remained artificial, and will continue to remain so as long as the constitutional rule of law remains absent. As a consequence of the absence of effective measures to ensure property protection, and with the rise of state predation manifested in the rise of bribery, extortion, profiteering and abuse of policing powers, the entrepreneur is becoming more detached from the party and more insistent on legal measures to ameliorate these conditions. Thus, China's longstanding emphasis on the morality of the polity (opposed to the accountability of the polity), which was intended to cultivate the highest level of political purity and efficacy in governing the people, has begun to erode.

Chapter 8 examines the entrepreneurial class's level of independence from the political and coercive mechanisms of the party; the degree of emphasis on liberal values, i.e. rights and freedoms; and finally, their organizational agency, particularly,

in the context of generational change and emerging Internet mediums. As a result of not only the growth of economic freedom and ideological independence, but also the growth of property-law interests, we should expect to see an entrepreneurial class which is elevating itself into a class for itself – with these economic and legal interests as its object. The entrepreneurial class has indicated a shift in its political alignment – that is a break from dependence on the political institutions and a desire to engage in independent political activity. Furthermore, the entrepreneurial class has indicated signs of a growing political awareness as well as an emphasis on political values such as the separation of powers and fundamental rights and freedoms, which reflect the growth of liberal values. Finally, the emergence of the *Baling Hou* generation reflects a renewed growth of liberal forces in China who have used Internet mediums as vehicles for discussion and organization. As this independent, politicized entrepreneurial class, and its engagement with a critical-political public sphere continues to enlarge, the party's absolute authority will begin to erode, clearing the way for new political institutions.

## **2. Research Methods**

### **2.1 The Epistemological Foundation**

It is important for any researcher to define and justify the methodologies which support the accompanying research paradigm. This first involves an explication of the researcher's given understanding and 'assumptions' of reality, or in other words, the theoretical perspective; and equally, an explication regarding the nature of human knowledge, or, epistemology: 'What kind of knowledge do we believe will be attained by our research?' (Crotty, 1998, 2). From this is then derived the specific methodology and methods adopted and employed within the research paradigm. In practical terms, the purpose of justifying the research methods and methodology is to validate the researcher's approach to answering the overarching research question related to the research topic. Its aim is to find the most effective way of locating answers to the questions at hand within the research (ibid). For these reasons this chapter begins by introducing the chosen epistemological field for this research paradigm, followed by the theoretical perspective and the chosen methodology, before proceeding to the following section which explains the specific methods employed for conducting the actual research.

This researcher concurs with the school of thought that believes legitimate research designs do exist that employ quantitative epistemologies, such as objectivism, with qualitative methodologies, such as phenomenological research; and equally, those research paradigms which employ qualitative epistemologies, such as constructionism, with quantitative methodologies, such as positivist/experimental methods (Crotty, 1998, 15). In other words, an understanding of the various epistemological and methodological schools of thought is not for the purpose of

necessarily adopting - in full - their tenets for research. Instead, the purpose of grounding oneself in these schools of thought is to help researchers establish an epistemological and methodological model, and chosen methods, that suit their own unique research paradigm.

Epistemology refers to the relationship between subject and object. As one author writes, epistemology 'is a way of looking at the world and making sense of it. It involves knowledge, therefore, and embodies a certain understanding of what is entailed in knowing, that is, *how we know what we know*' (Crotty, 1998, 8). In specific terms, epistemology can be broken down into three different schools of thought on the existence and theory of knowledge: 1) objectivism: the object, and an associating meaning, exists, and the subject only needs to locate this object; 2) constructionism: the object exists, but without meaning, and therefore, the subject constructs the meaning of the object according to the existence of the object – 'there is no meaning without a mind' (ibid, 8-9); and 3) subjectivism: the subject begins with nothing, forming meaning that then creates the object.

The epistemology that this research design adopts is overwhelmingly objectivist in nature. That is, it attempts to 'find' a meaning that exists, not to 'make' a particular meaning relative to an interaction with the object of the research (Crotty, 1998, 22-27):

Whether one is focused on nature or society, his positive science bids us look instead to 'laws' that can be scientifically established; that is, to facts that regularly characterize particular types of beings and constant relationships that can be shown to obtain among various phenomena (Crotty, 1998, 22)...Whereas people ascribe subjective meanings to objects in their world, science really 'ascribes' no meanings at all. Instead, it *discovers* meaning, for it is able to grasp objective meaning, that is, meaning already inherent in the objects it considers (Crotty, 1998, 27)

Thus, the difference between the epistemological schools of objectivism and constructivism becomes increasingly apparent. In contrast, constructionism and its associating theoretical perspectives are less centered – in the first instance - on the concrete existence of meaning and more centered on the subjective construction of



the object's meaning. The associating theoretical perspective – positivism and postpositivism – is adopted as the guiding tenet for this research design, and it serves an important role in substantiating the chosen research methods; it 'provides a context for the process [of methodology] and grounds its logic and criteria' (Crotty, 1998, 7).

Positivism finds its roots in the Age of the Enlightenment and its development into a coherent theoretical language can be attributed to Francis Bacon in the 16<sup>th</sup> century, though, as Crotty notes, Comte is also seen as a founding figure in that he acted to popularize this perspective. Positivism, fundamentally, believes in a knowledge that isn't abstract or in a vacuous state, but instead, it accepts a knowledge that is based upon experience and observation, and ultimately, something that is posited; it begins its quest to find the truth (instead of constructing the truth) by positing a 'given' (Crotty, 1998, 18-22). This concept of 'given' is associated with the Latin word *datum*; in one author's articulation,

The word data is the plural of the Latin *datum*, meaning a given, or that which we take for granted and use as the basis of our calculations...we ordinarily think of data as derived from measurements from a machine, survey, census, test, rating, or questionnaire – most frequently numerical. In a more general sense, however, data are symbolic representations of observations or thoughts about the world (Wilkinson, 2005, 41)

The positivist school, though unchanged fundamentally, has experienced various reforms over time. The specific details of this development can be spared, and the most germane detail identified in the rise of postpositivism – the positivist school's modern camp: while postivism was founded upon a firm belief in *irrefutable* scientific conclusions, postpositivism refined this platform, retreating to a certain extent from this hold on an absolute science, and instead, believing in a science that posited *probable* scientific conclusions, though still based upon a rational scientific approach (Phillips and Burbules, 2000).

Thus, the connection between objectivist epistemology and the postpositivist tenets for scientific research can be linked. In the words of Phillips and Burbules:

Objective evidence...is...evidence that was publicly available for inspection and that had been scrutinized by the relevant professional community...“objective” evidence...is...the best evidence that was available at the time. One way to think about it is that “objectivity” is a label we apply to work, evidence, theories, and so forth, that meet certain criteria of excellence (2000, 43)

With regard to the research contained in this thesis, the design is positivist in nature for three reasons: 1) a specific theoretical framework – a Mooreian conception of political sociology – is employed based upon an overarching law that posits a relationship between a socioeconomic structural transformation and political institutional change; 2) a historical analysis of the observed phenomena and corresponding variables as well as historical comparisons are employed; and 3) the aforementioned posited theory and laws are tested via qualitative methodology. As Barrington Moore, Jr., once stated, ‘no problem ever comes to the student of human society out of a blue and empty sky’ (1966, xvii); and this research is no exception to this belief in that this research first and foremost posits - and defines, links, and explains - the concepts and variables pertaining to the theoretical framework established to guide the research and relative testing. And it is postpositivist in the sense that its conclusions are believed to be true based upon a scientific and methodological approach, that utilizes theories that have been scrutinized and have withstood the test of time, and that employs historical analysis and comparisons in order to yield a research paradigm that is as robust as possible.

## **2.2 Elite-Intensive Interviews**

Qualitative research attempts to employ the ‘researcher as key instrument’ (Creswell, 1975). This includes in-depth examination of documents or close contact interviews, as well as observations, which source from multiple streams of data. When utilizing interviews, it allows for direct contact with the subjects, and as a result, it has the potential to yield greater depth in findings that otherwise could not have been obtained. It prevents the potential issue of artificial results associated with methods that are conducted within a confined environment; in other words, it targets and engages the ‘natural setting’, which is the environment in which the subjects conduct

their daily routines. It emphasizes a direct approach, utilizing ‘face-to-face interaction over time’ (Creswell, 2009, 175).

The qualitative method to discovery is in many ways an abstract process; as one author posits: ‘The very virtue of qualitative interviews is their openness’ (Kvale, 1996, 84). The qualitative interview differs from the traditional quantitative approach, which typically is characterized by a very linear, systematic grounding and approach, in that qualitative interviewing focuses not as much on in-depth preparations as it does on the ability to adjust and adapt, particularly during the interview; ‘the absence of prescribed sets of rules creates an open-ended field of opportunity for the interviewer’s skills, knowledge, and intuition’ (Kvale, 1996, 84). Thus, although a rigid design behind the interview method of data collection is not typically a part of this procedure, an approach that does take into account a general structure, including stages for reference, is advantageous to the overall research project. The design and process behind this author’s endeavor to acquire insightful qualitative interviews is explicated below.

### *Interviewing Private Entrepreneurs in China*

In this particular research - studying China’s entrepreneurs in the context of political change – the researcher decided on the method of interviews for several reasons. They are as follows: First, although research has been conducted on China private entrepreneurs, it remains relatively limited, most importantly, past research has overwhelmingly been conducted using quantitative instruments for data collection - questionnaires and surveys – instead of face-to-face interviews. Second, in connection to the first point, in the case of China there is a particular need for the use of interviews in order to overcome precisely the issue that potentially emerges in the case of distant data collection – that of cultural and historical factors.

In light of the cultural difference, and barriers, for a foreign researcher studying a nation such as China, including the differences in and complexities of its language, a distant collection of data can lead to either the failure to provide information, or to the

collection of misinformation as a result of the subject's misunderstanding of the data collection instrument – something that could be clarified if inside an interview. For example, certain institutions, such as the rule of law, as well as certain political concepts related to liberalism, have been absent in China's sociopolitical history; thus in reference to questions that address these concepts, it is (and in my case proved to be especially true) important to be physically present in order to clarify misunderstandings within the context of each section and the specific questions and to ensure the accuracy of responses; and to witness specific reactions by each interviewee, in particular, signs that the question might be sensitive, or as in many cases, to witness the amount of passion behind the key issues discussed within the interview – such as state predation and the one-party system – with a desire to ameliorate one's conditions.

Furthermore, in the case of China and in the context of the private entrepreneurial class, there is the issue of political sensitivity: this research topic, by its very nature, is highly sensitive in China as the ultimate objective of the research is to project the potential for future political change in China - in a nation that continues in the context of a one-party system. Furthermore, China's entrepreneurial class has historically been the target of the state's predatory tendencies, beginning in the Maoist period. The Five-Anti Campaign (in 1952) began the slow liquidation of this class, where after successive anti-bourgeois campaigns, including the culmination of the rectification campaign in the GPCR, the entrepreneurs had been completely liquidated. Although China's contemporary capitalists aren't targets to the extent that they were in the Maoist period, this social class remains cautious in the extent to which they become politicized, and express their evolving views. Thus, subjects in general in China would exercise caution in agreeing to take part in a political study, but this would even more so hold true in the case of China's contemporary entrepreneurial class. Thus, to approach this class in interviews – opposed to distance data collection – has proved useful in not only being able to reassure them of anonymity, but to allow them to clarify, and further elaborate on the topic; and in turn, receive the most extensive and accurate of responses.

### *Questionnaire Design*

As Kvale notes, although interviews can be seen as abstract and without structure or design, a general checklist can be accounted for when approaching the development of this method and its procedures. The first stage, as she notes, is ‘thematizing’, which seeks a foundational understanding of the subject area as well as uncovering the purpose of the study (1996, 95). Thematizing here refers to ensuring that the methods are adopted and employed in order to find answers to the overarching hypothesis and research questions. In order to effectively achieve this goal, the researcher must first understand the concepts and variables underlying the subject area – ‘the phenomena’ - before then employing the interviews – with the objective of capturing new knowledge that then builds on the known phenomena (ibid, 96). The researcher must then understand the purpose of the interviews: are they designed to be more explorative and therefore open-ended, or, are they designed to be more oriented towards the testing of a hypothesis and therefore more structured (ibid, 99)?

The structure of the interview questionnaire for this study was separated into two parts: the first part which targeted the demographic information of the entrepreneur; and the second part, which formed the substance of the interview, consisting of three sections: the entrepreneur’s thoughts on China’s market reforms and growing wealth; the property-law environment in China from the perspective of the entrepreneur, including the issue of the growing and pervasive official graft in China; and finally, the political life of the entrepreneur. Each section was created so as to measure for the variables associated with the rise of a liberal entrepreneurial class in the historical-western context – the variables mapped out in the figures listed in Appendix 6 and 7.

The first part asked basic demographic information: age, gender, previous occupation, and education level. The first section of the second part began the first substantive part of the interview, asking the interviewee questions regarding the first set of independent and intervening variables in the development of a liberal sociology – that

of the advent of capitalism and economic freedom in China, and the resultant wealth and opportunities created from this environment. The questions sought to uncover the subject's understanding of this transformative environment and to observe to what extent capitalism and economic freedom have transformed the individual. In particular, the questions were designed to discover whether or not the entrepreneur had become rationalized and secularized as a result of China's economic reforms. In other words, were they capitalizing on the opportunities presented to them that in China had been without historical precedent? Were they becoming rational in their interactions with markets, and the exchange relationships and wealth that have been created? How has their mentality, and the overall entrepreneurial mentality, changed as a result – are they detaching themselves from the party's ideological absolutism, and instead, embodying an independent, individualistic spirit?

The second section was engineered in order to examine the second set of independent and intervening variables in the development of a liberal sociology in China – that of the privileged ruling class and the associating state predation and economic costs to the entrepreneurial class. The questioning was designed for the purpose of uncovering the entrepreneur's growing business activity in the context of informalism and pervasive corruption, and therefore, to understand to what extent this predatory sphere has negatively impacted their business environment and engendered class interests. Ultimately, it sought to discover the extent to which China's entrepreneurial class is developing interests in the way of property-law, which values the possession of private property and advocates the need for the constitutional rule of law in order to effectively guarantee this new form of ownership.

The third and final section's purpose was to examine the third set of independent and intervening variables – that of the political alignment of the entrepreneurial class, their embracement of liberal values such as separation of powers and the right to vote, and their organizational agency - in order to assess the third and final stage in the development of a liberal entrepreneurial class. This section proved most challenging as the context of politics in China has historically been one that was exclusively handled by the moral and omniscient political elite. As the body of citizenry had no say in these affairs, and with such a long period of apolitical activity, they became conditioned to believe that politics was 'far away from them', a process handled by

other people. Nonetheless, the researcher was pleased to receive the degree and quality of liberal articulation among entrepreneurs, and their desire and competence to discuss such topics, within the interviews. The intention in this section was to ask questions related to party membership; the extent to which the entrepreneurs discuss politics in an organized fashion; and how the entrepreneurs feel about the one-party system and if they believe it will endure, including the possibility for direct elections and democratic institutions in the future.

### *Subject Selection and Interview Process*

The researcher conducted 18 elite-intensive interviews in total. As indicated in the literature, deciding on the number of interviews is case specific, and hinges on a number of factors, including, the specific topic (and whether this requires statistical generalizations or testing of hypotheses), and resources available such as time, finance and support personnel (Kvale, 1996, 101-103). As Kvale notes, ‘To the common question, “How many interview subjects do I need?” the answer is simply, “Interview as many subjects as necessary to find out what you need to know” ’ (Kvale, 1996, 101).

The current standard seems to be around 15 +/- 10 (Kvale, 1996, 102), though again as stated, it is first and foremost case specific and subject to balancing the needs and constraints of a given project. In fact as Kvale notes, some of the most influential researchers and most beneficial research projects have been conducted with limited interviews, which focused not on quantity but instead on the quality of interviews, seeking to probe the context of a few cases which in the end yielded significant discoveries. Examples include Freud’s case studies; ‘Ebbinghaus’s experimental-statistical investigation...with a single subject – himself’ (Kvale, 102); and Piaget’s study of childhood development – conducted with his own children (1996, 102).

The interviews were conducted in Shanghai and Beijing from November of 2010 to May of 2012. Although the interviews were projected to last approximately 60 minutes, most all lasted between 90 minutes and 4 hours. The subjects chosen were

among the private entrepreneurial class that has emerged in accelerated fashion since reform and opening up in 1978 in general, but most visibly, following Deng Xiaoping's southern tour in 1992 which set the stage for the accelerated privatization of the economy. Furthermore, the entrepreneurs selected were those small business owners, or those entrepreneurs with less than 100 employees. They were selected at random, though, in line with Chinese cultural conventions, they were selected through a growing web of acquaintances – both within and outside the entrepreneurial community – who acted as a bridge to the interview. The Chinese tradition of social relations – that being of a particular acuteness to the development of trust relations through friends and elaborate and time-consuming meetings – was a necessary part of the interview process in most of the settings, which added to the time expended for the interview process.

As the researcher progressed through the process of interviews, he encountered unexpected discoveries; and made necessary adjustments along the way. The most significant yet unexpected discovery made was the uncovering of the term *Baling Hou* – a term referring to the generation born after 1980. The interviews facilitated the first in-depth encounter that the researcher experienced with this term; some of the entrepreneurs discussed this term in length, referring to how this generation of entrepreneurs is impacting the course of China, while some even made specific reference to this generation within the emerging private entrepreneurial class, indicating that they will be the harbingers of China's future political transformation – that of social revolution and/or democratic institutional change.

Furthermore, adjustments were made along the way such as adding a specific question to a section in order to compensate for a lack of discussion in a certain area, or to allow for a more unstructured interview. In particular, in the second half of the interviews the researcher attempted to probe the interviewee deeper on the issue of their involvement in a critical public sphere - one that would represent the organization of their interests, and the growth of their organizational power founded on democratic principles. Finally, some of the most revealing information emerged from the parts of the interview that were either more unstructured, or, where the entrepreneur initiated further discussion on a particular topic. For example, in one particular interview, once the formal interview had ended, the interviewee asked if she



could further elaborate on the issue we ended with – that of the problems with the one-party system and the potential for an entrepreneurial solution to this issue. In another example, the interviewee in fact had so much to say, and was so impassioned over the topic, that the interview lasted around 4 hours. The discussion, which revolved around this particular entrepreneur's encounters with a predatory state, ended up being one of the most revealing interviews conducted.

Finally, the researcher had the opportunity of remaining in regular contact – that is a face-to-face type, opposed to distant communication – with several local Shanghai entrepreneurs, which in all proved to yield rich insights and knowledge on the emerging, yet relatively unknown, *Baling Hou* generation of entrepreneurs. One particular entrepreneur, whose business is modeled on the type of business incubators that are common to the California Bay Area, serving as a socially collaborative and resource-friendly environment for emerging entrepreneurs, labeled start-ups, revealed a particularly revolutionary nature in contemporary China. Here, entrepreneurs can find possible investors; a collaborative business environment to develop ideas; and technological resources, among other facilitators of entrepreneurship. When the researcher first interviewed this entrepreneur, he had just opened his business and first location – with a space of 100 square meters; that was in 2010. In the spring of 2012, he opened his second location, with a space of 400 square meters, of which the majority of spaces had been filled prior to the commencement of its grand opening.

As a result of the interactions with this particular entrepreneur, the researcher was also introduced to a semi-annual entrepreneurial event (the name omitted for purposes of anonymity), which the researcher attended twice during the course of fieldwork activity. The event, which is volunteer-based and takes place in Shanghai, supports the growing start-up community. Its semi-annual events are designed to provide an informal environment for start-ups to present their ideas, in 30 minutes sessions, with approximately 5 presentations ongoing at a time, and for the large gatherings of entrepreneurs to provide an environment to interact with and meet new entrepreneurs. It presented a window into the lives of this growing business community, where the researcher was able to observe the wealth of ideas and innovations that are emerging in a nation that historically has been taught to be completely dependent on the political authority, most importantly in the production of ideas. These vehicles for

entrepreneurial organization are not only implicative of their economic growth but also of the potential for the future growth of their political values and organization.

### *The Limitations of Interviews*

In his research, Barrington Moore employed a comprehensive, comparative analysis, of the sociological structures in the context of economic and political variables; and in doing so determined which specific social elements contributed to the political consequences of democracy, fascism and communism. This included uncovering the influence of the ruling autocratic classes, the rising capitalist class, the working class and the peasantry in determining a specific political outcome. Did nobility and landed elite, the conservative classes, fuse into the rising bourgeoisie, or did the bourgeoisie fuse into the conservative classes? Did the peasantry and working classes align with the bourgeoisie in an effort to topple the autocratic institutions, or did they align with the political machinery and in the process either sideline or liquidate the bourgeoisie? In the case of contemporary China, considering that the sociological structure is still evolving amidst economic transition, the researcher's intention was to conduct interviews in order to uncover whether or not a liberal entrepreneurial class is emerging, and therefore, to what extent we can predict the emergence of a bourgeoisie derived from this new and rising sociology. Thus, although some analysis was generated regarding the activity of the peasantry (such as the case of Wukan unrest) and the entrenchment of the political elite, in the context of a growing bourgeois society, the main analysis was purposed with determining if a bourgeois foundation, established by a rising liberal entrepreneurial class, is emerging in China.

Furthermore, the interviews conducted, and the liberal responses received in the majority of interviews, were not intended to imply that this is necessarily representative of the entire entrepreneurial population. As noted in the thesis, as of 2007 the number of registered entrepreneurs had reached nearly 14 million, and 18 interviews were conducted in total with entrepreneurs. Rather the objective was first and foremost to engage with a number of emerging entrepreneurs, through lengthy interviews and discussions as well as repeat interviews over a substantial period of time, in an effort to understand the mindset and interests of the emerging

entrepreneurs, including the emerging *baling hou* generation. There is in fact relatively little research and information on this emerging generation in general and the entrepreneurs within this generation in particular. Although the sample size is small, the information received from these entrepreneurs revealed not only a liberal orientation but also an indication that this is an emerging trend among the class as a whole. Thus, a comprehensive understanding of the economic, legal and political interests of these emerging social elements has shed important light on the future potential of a bourgeois evolution and subsequent democratic transition in China.

### **2.3 Content Analysis: Newspapers, Media, and Chinese Language Sources**

Content analysis of newspapers, media, and Chinese language sources was also used to provide supporting evidence. As defined, ‘Content analysis is the systematic examination of texts and visual (e.g., newspapers, magazines, speech transcripts), media (e.g. films, television episodes, Internet sites)...to analyze their prominent manifest and latent meanings’ (Saldana, 2010, 10). As is well known in China, the overall quality of Chinese language sources is poor due to the continued control by the party in the spheres of education and publication. Nonetheless, there are various institutions or particular news agencies that can provide useful information. For the purposes of this project, Chinese sources obtained included the following: authors from the Chinese Academy of Social Sciences, such as Li Chunling and Li Peiling; Zhang Houyi, who almost exclusively studies the private entrepreneurial class in China, and who publishes reports in the Social Sciences Academic Press’ (out of Beijing) Annual Blue Book of Chinese Society; and academic journal articles.

The researcher also utilized current English language newspapers based in China or Hong Kong not only to locate current evidence, but also to develop a case study approach. For example, in Chapter 7, when examining the level of corruption in contemporary China, and the effects this has on the private entrepreneur, the researcher examined various cases of corruption in contemporary China, most extensively, the case of Bo Xilai – former party chief of Chongqing. This case, being not only recent (2011-2012) but also relevant as it involved entrepreneurs in this

locality, proved to be substantiating of the connection between state predation and the subsequent need for an effective legal system in order to protect private property and reduce official graft. In Chapter 8, the case of Wukan, where peasants had been displaced by government-led property projects, was also an effective case study. Here, as a result of the growth of the Internet in general in China, and microblogs and social media in particular, this case and its details immediately became known throughout China, through these cyber vehicles; and as a result of their power to organization and disseminate information and ideas, led to the retreat of the state's predatory activities and the implementation of democratic elections in the locality. Finally, the researcher also used historical periodicals and newspapers, such as *The Peking Review*; and *The North China Herald* and *Renmin Ribao* (The People's Daily), in order to substantiate the historical analysis.

### **3. The Rise of a Bourgeoisie: Economic Freedom, Liberal Philosophy, and the Quest for Political Representation**

#### **Introduction**

This chapter seeks to answer the following research questions: ‘What were the independent variables that surrounded the western historical evolution of a bourgeois society in the transition from a feudal-agrarian and political absolutism to a modern-capitalist and democratic nation?; and how did they interact and evolve to produce a liberal entrepreneurial class – a bourgeoisie?’ The first section examines the link between capitalist development, sociological transformation and political institutional change; and then proceeds to examine the specifics of the evolution of a liberal philosophy, and the independent variables that fostered the rise of this politically-impacting philosophical paradigm. The discussion of modernization theory – that of the correlation between economic development, the rise of a middle class, and democratic change, has been discussed comprehensively in the scholarly literature. The growth of not only markets, but the mechanization of production, industrial growth and ultimately capitalism, has produced a new economic and social sphere: urbanization, the growth of towns, and the sociological composition of this new environment – an educated and literate middle class – with potential to be a politically empowered class for itself. The final consequence of this evolution was the growth of the critical public sphere, or commonly known as the sphere of civil society. It was within this sphere that the newly evolving bourgeoisie put their liberal philosophy to test, organizing and discussing new political principles that would come to define the new institutional framework for the nation – most importantly the tenets of the political institutions in transformation.

The chapter then proceeds with an examination of the specific variables that correlated with the rise of a liberal entrepreneurial class: that of economic freedom, production for markets and the decline of royal absolutism; state predation emanating from feudal organization and its basis of privilege; and a politically independent

entrepreneurial class with vested interests in private property and the constitutional rule of law. The growth of economic freedom and markets severed society's economic and ideological dependence on the state. The opportunities that markets presented revolutionized the basis of economic production from agrarian production for consumption based upon peasantry tied to the land, and towards production for the market and for profit while mechanization and industrialization replaced peasant production. In turn, an entrepreneurial class emerged rational in their pursuit of opportunity and wealth. They also subsequently became secularized: they became detached from the dogmatic truths that for centuries had been purported by the church and state. The consequence of this newfound economic sphere was the emergence of a new sociological structure – an emerging bourgeois society with interests in retaining and increasing economic freedom and protecting private property. As feudal organization remained over this new economic sphere, it became increasingly parasitic and predatory, which in turn led to the evolution of a bourgeoisie in the legal sense of the term: social elements that viewed the constitutional rule of law as an imperative. Finally, in realizing that private property and the rule of law would only be implemented under different political circumstances, a bourgeoisie emerged in the political sense of the term: as a class for itself. The object became ensuring a political system which was premised on the constitutional rule of law and democratic process, the principles of which were articulated within the critical public sphere: the abolition of privilege, protection of private property, the implementation of fundamental rights and freedoms, and the separation of powers became the cause of social revolution in England, France and America.

The second section examines the specifics of liberalism as it manifested in the cases of England and France in transition from a preindustrial to a modern capitalist order, and which culminated in a bourgeois society – reflected in the newly established legal and political principles of constitutional governance and democratic process. In England, economic and political conditions were particularly advantageous for the development of a liberal entrepreneurial class, and the subsequent development of a bourgeois society as nobility and gentry fused with the emerging entrepreneurial class. For one, the opportunities that markets presented – most specifically in the wool trade – were unparalleled at the time, providing for acquisition of wealth and capital. This provided the foundations for sociological evolution into a rational and secular

class – rational in economic behavior and secular in ideological assessment. Furthermore, the English crown was weaker than its French counterpart, which provided for a gradual detachment of conservative elite from the state and towards the growing sphere of economic freedom. The remnants of royal absolutism and feudal organization, and their predatory actions, provided the impetus for the growth of these independent bourgeois elements within parliament and against the king. Thus the health of the economic conditions in conjunction with the relative weakness of the political institutions, granted an English bourgeoisie conditions conducive for their growth and influence on the political system.

France, on the other hand, experienced less advantageous conditions – both economically and politically. Markets, though developing at the time, were not as advantageous as the wool trade in England. Furthermore, the crown wielded significant power over economic conditions as well as social evolution. French absolutism remained in control of the nation over feudal elements in a way that was absent in England. The king employed agents to oversee and govern the provinces opposed to allowing delegation of powers to feudal agents. Entrepreneurial elements were diverted through the state, and forced into dependence due to economic conditions; and nobility were equally maintained in dependence on the state through either feudal incentives in squeezing the peasantry and delaying economic transition, or, through the sale of offices. Furthermore, French absolutism was able to decommission French parliament in the Estates General for some time, as well as prevent the growth of a critical public sphere in its control of printed literature. The result of these circumstances was not the failure to achieve democratic institutional change, but it did delay their transformation as well as add to the violence that ensued within the course of French development.

### **3.1 Marking the Bourgeoisie: Economic Freedom, the Critical Public Sphere, and Liberal Political Philosophy**

The scholarly literature has produced extensive studies emphasizing the importance of social class in the context of economic development and political institutional change, pointing to the role of the middle class in general, and the bourgeoisie in particular (Moore, 1966; Lipset, 1979, 1980; Lerner, 1958; RSS, 1992; Marx, 1936). The term bourgeoisie refers to an 'independent class of town dwellers' who are 'owners and managers of capital' (RSS, 1992, 58) and provide 'an indispensable element in the growth of parliamentary democracy' (Moore, 1966, p. 418), as a result of the advent of a new economic sphere characterized by opportunity and autonomy. The bourgeoisie embody several dimensions, which are acquired in evolutionary stages on the road to maturity: economic, legal, and finally political. The economic dimension was a response to opportunities within emerging markets, which generated capital and private property, fostering not only new productive powers, but also fostering a new economic mentality. The legal dimension resulted from the growth of this economic sphere and its organization, and its subsequent dissonance with the political institutions: private property required protection, through legal institutionalization, which was entirely absent and which was exacerbated by rising state predation. The final stage in this sociological evolution was the culmination of not only the newfound sphere of economic freedom but also the growth of property-law interests in the absence of constitutional governance. The consequence was the transition from a class in itself to a class for itself, from a class with economic and legal dimensions to a class that had as its object the implementation of democratic principles and constitutional governance in order to ensure protection of a new social and economic sphere.

Seymour Martin Lipset's analysis concerning modernization theory presents a thorough understanding of the link between economic development and political institutional change, where a democratic result pivots on the emergence of a middle class – the product of economic development. His analysis illuminates the importance of economic transition and its indices of development - industrialization, urbanization, education and wealth – and the influence they have on sociological and political transformation. Generally speaking, evidence overwhelming confirms a correlation



between capitalist development, and the rise of widespread wealth, and the growth of democratic values in the evolution of a new sociological structure, dominated by bourgeois elements, and facilitated by growing rates in urbanization and education (Lipset, 1959; 1960).

Scholarly research concerning the link between economic freedom, the rise of a middle class and bourgeois society, and political institutional change has continued since the work of Lipset, observed in research such as Huntington's study of democratic waves of development and Almond and Verba's studies on political culture and political values (Huntington, 1991; Almond and Verba, 1963). Empirical findings have confirmed this general link between wealth and democratic values, revealing a direct correlation between per capita GNP, or more specifically, quality of life, and the value system of the country (Diamond, 1992; Diamond and Jay, 1999). The outcome is the growth of new sociological structures. A bourgeoisie, in particular, rises to power in a new setting – through urbanization and the growth of towns. The urbanization of society - created from bourgeoisie wealth and the demand from markets - directly correlates with literacy and education levels in society; as Lerner notes, in order to live in an urban environment one must demonstrate a literacy level capable of reading signs and riding public transportation (Lerner, 1958).

Particularly, economic freedom, opportunities in markets, and the subsequent production for markets and native industrialization, provided the impetus for sociological transformation. Thus, the mode of production was transformed from traditional agrarian means of production and into advanced, mechanized, industrial production to serve the growing demands of emerging markets. This also gave rise to new opportunities for wealth acquisition, and in turn, this transformed the relations of production – the sociological structure (Marx, 1936, 115-118). The outcome was the commencement of a revolutionary evolution in the sociological structure, particularly in the rise of a bourgeois society, which can be identified through the evolution of liberalism – referring to a philosophy within the development of freedom in economic, social and political spheres. The development of liberalism can be identified through three distinct stages of sociological development: 1) a rationalized and secularized sociology, given impetus by the growth of economic independence and demands from emerging markets; 2) an interest-based class, that is property law,

as a result of the growing importance of private property and pervasive state corruption; and 3) a rights-based class, characterized by liberal political values and organizational agency, and as a response to a lack of legal institutionalization and as an imperative for protection of private property (see Figure 1). Its chief consequence was the eclipsing of the previously traditional order that sought to perpetuate a despotic political system, an absolute guiding ideology and a subservient social order, with the political principles of a bourgeois society.

The rationalization of economic systems and organization – markets – directly led to the rationalization of social organization. A bourgeoisie emerged in the economic sense of the term: a class that actively sought to capitalize on emerging opportunities, which provided a foundation of power for which it would eventually rely upon to emancipate itself (Marx, 1936, 102-103). The rationalization of the individual, and the secularization of the prevailing ideological framework, created the intense individualism that we see in the emergence of an economic bourgeoisie; no longer was a course set based on state or collective terms, but rather the individual determined his own course through his knowledge of the world and his industrious nature (Laski, 1936, 106). Rationality was observed in the entrepreneur's engagement with markets and desire to produce for profit. This intense individualism – created from the medieval ages – was the result of profound philosophical enlightenment, where superstition was discarded and reason and rationality were embraced (Laski, 1936). This was the process of secularization – the bourgeoisie, utilizing reason and rationality, realized the fallacy in the state's purported omniscience over the affairs of the nation, including the economic, social and political spheres. The fundamental difference of principle in the new liberal philosophy of the entrepreneurial class was its breaking with centuries of acceptance in the dogmas of authority and religion. The new direction was quite antithetical to these medieval concepts – the direction was in the promises of reason: 'Man is governed by natural invariable laws, and he has only to study them to know the springs of his destiny, the causes of his evils and their remedies. The laws of his nature are self-love, desire of happiness, and aversion to pain; these are the simple and prolific principles of everything that happens in the moral world. Man is the artificer of his own fate' (Bury, 1955, 199).

The growth of private property amidst pervasive state predation led to the second stage in the evolution of the bourgeoisie: the rise of interests in protecting private property through the constitutional rule of law. Locke's writings on absolutism and property in the 17<sup>th</sup> century, which supported the individual's right to private property in person, labor and all associated with it, reflected the ideas of the emerging bourgeois society (Locke, 1960, 285-288). As a result, this emerging sociology, equipped with certain economic interests and power, and evolving interests, became a bourgeoisie in the legal sense of the term. This foreshadowed the rise of class contention – between bourgeoisie and ruling classes – over the nature of privileges (Marx, 1936, 103; 146). As Marx wrote,

An oppressed class is the vital condition for every society founded on the antagonisms of classes. The emancipation of the oppressed class thus implies necessarily the creation of a new society. For the oppressed class to be able to emancipate itself it is necessary that the productive power already acquired and the existing social relations should no longer be capable of existing side by side (Marx, 1936, 146)

The towns were where civil society began, and where the bourgeois spirit through the sphere of civil society - the critical public sphere - was cultivated: 'The "town" was the life center of civil society not only economically; in cultural-political contrast to the court, it designated especially an early public sphere in the world of letters whose institutions were the coffee houses, the *salons*' (Habermas, 1989, 30). This is where the growing bourgeois society eventually developed into a class for itself. The emergence of these salons, and their proliferating counterparts, was a pivotal juncture on the road to political change; they provided the vehicles for which a growing liberal sociology could express this newfound philosophy, and it acted to replace previous social and political institutions. As Marx noted, civil society came to serve the following function(s):

*Civil society is the battlefield where everyone's individual private interest wars against everyone else's, so here we have the struggle (a) of private interests against particular matters of common concern and (b) of both of these together against the organization of the state and its higher outlook (Marx, 1992, 101)*

This newly created sociology represented a private class that was not solely interested in changing the powers of domination, but instead, in changing the very precepts that founded the prior sphere of domination and its abuses. In other words, they were interested in more than just the changing of ‘the basis of legitimation while domination was maintained in principle’ (Habermas, 1989, 28). Instead, the end of imperious authority altogether was the end goal: ‘As a sphere of public authority [it] was now casting itself loose as a forum in which the private people, come together to form a public, readied themselves to compel public authority to legitimate itself before public opinion. The *publicum* developed into the public, the *subjectum* into the [reasoning] subject, the receiver of regulations from above into the ruling authorities’ adversary’ (Habermas, 1989, 25-26).

The creation of a civil society, or a public sphere, represented the maturation of a new social organization produced from the fruits of a newfound economic freedom and prosperity; and its activity ultimately became politicized against the traditional political institutions. In the traditional feudal organization, and even in the early stages of capitalism, where the modes of economic production and communication remained linked to the state, the social product – the bourgeoisie – was also successfully assimilated into the state apparatus. But when economic freedom accelerated, creating widespread capitalist development, the vertical and dependent ties to the state were severed, while new horizontal ties – of economic exchange and communication transmission – formed; it became a decisive battle between town and court, between a rising bourgeoisie and a conservative elite (Habermas, 1989).

The social institution of the estates system within the traditional feudal organization, and the political institutions of royal absolutism that supported it, based upon heredity and privilege, when disrupted by the advent of capitalism were replaced by a new public sphere in a civil society, forged by an emerging bourgeoisie, and in an effort to fill the void left in the way of mandated socioeconomic organization and security that was left in the decline of the traditional social and political institutions. Prior to the formation of a civil society, the court claimed preeminence to the sphere of criticism – both literary and political. With the advent of capitalism, the growth of towns, and the growth of horizontal networks of integration – both economic and cultural – the organization that formed within this sphere came to represent a new arena for

criticism. In turn, the court's prior command of vertical and dependent ties, and its propagation of precepts which legitimized this hierarchical social organization, diminished as quickly as the new public sphere of governance was rising (Habermas, 1989).

By the sixteenth century this horizontal integration increased with the merchant emphasis on production expansion and the subsequent rise of markets; and the new emphasis was on profitability. This gradual transformation led also to the elimination of traditional sociology and the creation of modern components. Of importance are not only the type of new sociology – the private entrepreneurs – but also their particular characteristics and interests. They were a newly emerging and evolving sociology, who instead of integrating into the state, emphasized independence in the creation of an autonomous space in society, opposing the traditional court that claimed form to the public and representative sphere (Habermas, 1989, 18-26). This sphere contrasted with the traditional concept of the court. Instead of a court, this sphere – developed from the rise of commercial towns - emphasized discussion and communication through a culture of gathering in public establishments; and once again, it was centered on general concerns and interests. This was their new frame of reference, that of determining for themselves their general interests, and it acted to secularize their future outlook (Habermas, 1989, 36-37). In unprecedented fashion, the public sphere represented a space where individuals conveyed their interests and opinions, and subsequently were effective in shaping state power. It 'presupposed' those characteristics that are so fundamental to the liberal order – that of freedom of speech, association, debate and press, and so forth. It served as a mediator between the private areas of family and work, and the public area of the state, acting to curb the state's tendencies towards excessive and arbitrary abuses of power (Kellner, 2010, 3).

With the increasing understanding that political reform – or in some cases revolution – was required to sustain a system based upon free markets and the rule of law, the bourgeoisie developed a third and final stage representing a rights-based initiative. This concept of a rights-based initiative and political consciousness, in the historical liberal context, can be defined specifically through the words of Moore:

The right to vote, representation in a legislature that makes the laws and hence is more than a rubber stamp for the executive, an objective system of law that at least in theory confers no special privileges on account of birth or inherited status, security for the rights of property and the elimination of barriers inherited from the past on its use, religious toleration, freedom of speech, and the right to peaceful assembly (1966, 429)

The consequence of a rights-based initiative, premised on the constitutional rule of law and democratic process, along with the growth of a critical public sphere, was the development of a class for itself, that is, a class that is politicized and actively seeks to impose its political principles on the political system. As Hegel writes,

In so far as the specific determinations of the will are its own or, in general, its particularization reflected into itself, they are its content. This content, as content of the will, is, in accordance with the form of will described in its purpose, either its inward or subjective purpose when the will merely images its object, or else its purpose actualized and achieved by means of its activity of translating its subjective purpose into objectivity...the will is then free only in itself or *for* an external observer, or, to speak generally, it is the will in its concept. It is not until it has itself as its object that the will is for *itself* what it is in itself (Hegel, 1952, p. 14)

As Marx interpreted this reference to a class in and itself and for itself, a class in itself was a class that had not yet become politicized; it had developed interests but these interests had not yet evolved into a political dimension. When they did finally reach this state, it became a class battle:

Economic conditions had first transformed the mass of the people of the country into workers. The domination of capital has created for this mass a common situation, common interests. This mass is thus already a class as against capital, but not yet for itself. In the struggle, of which we have noted only a few phases, this mass becomes united, and constitutes itself as a class for itself. The interests it defends become class interests. But the struggle of class against class is a political struggle...In the bourgeoisie we have two phases to distinguish: that in which is constituted itself as a class under the regime of feudalism and absolute monarchy, and that in which, already constituted as a class, it overthrew feudalism and monarchy to make society into a bourgeois society (Marx, 1936, 145-146)

The emergence of a rational and secular mentality was the first stage in the evolution of liberalism. Opportunity and exploration resulted from the advent of markets, and this in turn, with advancements in science and technology, generated a rational and calculating thought process in the emerging bourgeois sociology. In their transition from stage one to stage two, they experienced both rational and secular growth: opportunity and exploration led to their accelerated growth, and their experience within markets created an entire new mentality. With the possession of private property, and this newfound rationality, the continuation of a traditional autocratic state alongside a modern socio-economic order became antithetical and increasingly conflicting to the emerging liberal sociology. In response to this environment, the bourgeoisie developed an interest-based foundation, of private property and law, and unified around these interests. With the advent of the final stage of liberalism, a rights-based initiative, and the bourgeoisie's previous engulfing of society, they were prepared to shape state power - and to fundamentally redefine the relationship between state and society.

This newfound sphere of critical-rational-political debate was unprecedented and imperative for the future of the democratic state. The advent of markets and capitalism severed years of dependency on the state; the need for the constitutional rule of law created a sense of general interests, and common goals among the bourgeoisie; and the critical public sphere, that of the convening of bourgeoisie, provided the vehicle for which society could shift power away from the state and towards its philosophical platform. It provided a new sphere for which transforming social elements could join in independence from and opposition to the state, and ultimately, in an effort to fundamentally redesign the political relations and institutions of a state in transformation.

### 3.2 The Advent of Western Liberalism and Social Revolution

Political Sociologist Barrington Moore's seminal work, *Social Origins of Dictatorship and Democracy: Lord and Peasant in the Making of the Modern World*, illuminates the variables behind the liberal evolutionary path towards a modern order. Examples can be seen in the English and French Revolutions and the American Revolution where agrarian societies transformed into industrial and commercial powers and bourgeois revolution culminated in the emergence of democratic society. Moore explains that social actors of the revolutions decided the political organization of the state, where specific corollaries can be seen between peasant revolution and communism, state-bourgeoisie coalition (top-down revolution) and fascism, and bourgeois revolution and democracy. The most decisive factor was the development of the sociological structure, in particular, to what extent the peasantry were eliminated and to what extent the nobility and landed elite were assimilated into the ranks of the bourgeoisie. Democracy succeeded in societies that were composed of liberal social elements, representing a growing bourgeois society, who demonstrated autonomy from the ruler, represented a powerful socio-economic base, and fused ties and values with other important social elements. Ultimately, social revolution or civil war was the culmination of the contradictions between a bourgeois society and traditional political institutions – the consequence of which was the victory of democratic political institutions. As Moore notes,

Revolutionary violence and/or civil war prepared the way for liberalism, and later democracy, in the three main centers where these institutions first grew up: England, France, and the United States. This violence severely weakened institutions and social groups opposed to these trends. After the execution of Charles I no English King tried to rule without Parliament. The French Revolution dealt a crippling blow to the monarchy and aristocracy. In the United States the American Revolution put an end to what limited possibility there may have been for foreign domination. American social and political questions could not be decided in London. The American Civil War was more significant in that it put an end to the possibility of slave-owning plantation aristocracy as a crucial element of the elite (Moore, 1989, 10)



The specific variables and sociological evolutions of the western cases of England and France are examined below.

*Political Transformation in England: The Gradual Route to Constitutional Governance*

The English process of gradualism, where liberal sociological forces bridged the process of liberalism from the preindustrial order to a modern democratic nation-state, is an important historical model and reference for all future nations that embark on the process of liberal development. In England, though an English Revolution existed, overall what prevailed was a lengthy evolution, or otherwise known as the ‘gradualism’ of liberalism (Moore, 1966, 3-39). The process extended over several centuries and reflected the growth of liberalism which manifested in the emergence of a bourgeois society. In Moore’s analysis, the sociological outcome of this transition – the fate of the nobility, the gentry, the peasantry, and the rising bourgeois elements in the towns – played a decisive role in the political consequences of this transition. The bourgeoisie that grew out of the agrarian transformations and the transition to industrial society in England were a result of the relative weakness of the king and the relative strength of economic freedom. Furthermore, Parliament, though initially composed of conservative elements, eventually became subjected to the transformations in economy and sociology, and came to represent the interests of an evolving bourgeois society emphasizing constitutional rule of law and democratic process (Moore, 1966; Bury, 1955, 218).

In stark contrast to France, the variable of economic freedom not only commenced early on in the course of English development, but furthermore, the strength of markets coupled with the relative weakness of absolutism paved the way for a gradual route to the modern democratic order (Moore, 1966, 3-39). Although prior to the 15<sup>th</sup> century social and economic life was primarily organized around the feudal framework where customs dictated a sociological structure of lord and serf, and an economic system of production for consumption, beginning in the 15<sup>th</sup> century as a result of economic forces of competition and market growth the sociological structure

began to transform (Tawney, 1912, 56-60). The process of agricultural transformation, in the 14 and 15<sup>th</sup> centuries, began with the move towards advancements in the techniques of husbandry, which remained focused on arable land and its cultivation. Although it wouldn't revolutionize the economic system or the social relations, it did help break down the medieval system of serfdom. Peasants became 'more vigorous and enterprising' and in turn, were mentally transformed, opposing the prevailing framework of communal land and servitude while moving towards independence and individual land (Lipson, 1920, 120-125). In turn, the system of large estates and agrarian elite commanding a mass of laborers on the land with limited opportunity for mobilization or land acquisition began to break down. The major impetus for agricultural revolution and social transformation was the emergence of bourgeois elements in the 16<sup>th</sup> century, who in response to and in search of opportunity and wealth, began to emerge both in the towns and in the countryside, and which led to the displacement and elimination of peasants in order to maximize production and profit. This otherwise became known as the enclosure movement, which represented the commencement of England's gradual transformation to modernity (Moore, 1966, 3-39; Tawney, 1912, 55-97).

The growth of the wool trade provided the impetus behind the enclosure movement and the subsequent transformation in the sociological structure. A bourgeoisie began to emerge in the economic sense of the term – emphasizing private property, and the subsequent shift in the utility of the land, and access to opportunity in growing markets. As a consequence, this economic activity and growth acted to dismantle the feudal organization and diminish the ideological power of the church and state; and it created new sociological elements, with new ideas of organization, that were being rationalized and secularized (Moore, 1966, 4). Landlords realized the potential in supporting the demand for English wool, and thus increasingly took part in the enclosure process and the shift in land use from arable to pasture. As Lipson notes, 'more stress began to be laid upon the rights of ownership than upon its duties' (Lipson, 1920, 131). Merchants in the cities recognized the opportunity for profit and used their capital to purchase land in support of the wool industry (Lipson, 1920, 115-195). The fundamental utility of land had changed from cultivation for subsistence and towards production for profit (Tawney, 1912, 6):

It is a fact that in Scotland landed property acquired a new value by the development of English industry. This industry opened new outlets for wool. In order to produce wool on a large scale, arable land had to be transformed into pasturage. To effect this transformation, the estates had to be concentrated. To concentrate the estates, small holdings had first to be abolished, thousands of tenants had to be driven from their native soil and a few shepherds in charge of million of sheep to be installed in their place. Thus, by successive transformations, landed property in Scotland has resulted in the driving out of men by sheep (Marx, 1936, 101).

Moreover, due to substantial economic growth in the towns of 16<sup>th</sup> and 17<sup>th</sup> century England, a large market for agricultural goods emerged where rural bourgeoisie were further driven to fill this demand. In turn, these two classes – the urban bourgeois elements and the landed elite – were increasingly fused into a bourgeois society and in opposition to the state (Moore, 1966, 3-39; Nef, 1968, 8-11; Manning, 1965). As already indicated, the wool trade in the countryside required the support of towns to export its products to distant markets (Moore, 1966). But furthermore, domestic demands required increased production from the countryside, as a result of the urban food demands and the subsequent urban market distribution (Richardson, 1992); and the creation of industry and factory, most importantly large-scale industry, not only in the towns but also in the countryside furthermore facilitated the rise of a bourgeois society observed in the fusion between gentry and entrepreneur (Nef, 1968, 8-11). As Moore makes clear, industrial development in town and country had a profound impact in uniting the urban bourgeoisie and the landed upper classes, spreading values and forming a level of independence that would eventually topple the royal apparatus (Moore, 1966). As the entrepreneurial class emerged and began to interact with the traditional agents of the state, these two pivotal classes in the transition to the modern order began vying for the advantages of each other's social status. Entrepreneurs, who found wealth in identifying economic opportunities exercising industrious activity, sought power and control in order to ensure the growing imperative of a property-law environment; and the political elite sought to gain a share in the newfound wealth of the business world (Tawney, 1912, 186-188). The new class of entrepreneurs, the nobility and the gentry had all become part of the bourgeois society in the economic sense of the term (*ibid*, 192-193), which would eventually support the evolution of a legal and political bourgeoisie.

The rise of towns and the demands they imposed on the countryside, not only transformed the economic organization in the hinterland of England, but furthermore, it fostered the growth of a bourgeois society in the legal sense – emphasizing private property and its protection in light of state predation. With increasing economic activity, and as the king, or his sheriff agents, became increasingly intrusive - the king through mandates inhibiting the introduction of new and advanced machinery, and caps on number of employees which restricted development of industry and added expenses for bureaucratic oversight (Nef, 1968), and the Sheriff through the imposition of taxation and fines - an interest-based initiative grew with emphasis on developing a property-law environment. The crown, the church and the feudal lords, and their monopoly on political power, attempted to continue their privileged status by exercising pervasive state predation over this newfound profitable economic sphere (Lipson, 1920, 179-181). As Henry the VII's chaplain once wrote,

“Princes and Lords”...“seldom look to the good order and wealth of their subjects, only they look to the receiving of their rents and revenues of their lands with great study of enhancing thereof, to the further maintaining of their pompous state; so that if their subjects do their duty therein justly, paying their rents at time affixed, for the rest they care not (as is commonly said) ‘whether they sink or swim’”! (Tawney, 1912, 195)

Corruption manifested in the form of bribery, extortion or rent seeking. Regulatory powers encouraged bribery; arbitrary taxation was supported by the crown in order to compensate for the declining financial revenue devoted to officials; and royal monopolies led to rent seeking (Root, 1994, 141-159). As a consequence, the imperative of establishing constitutional governance became paramount to the emerging bourgeois society and the principles it was establishing. As they learned, without the constitutional rule of law, restraining the state and protecting the rights of the citizens, the state would attempt to maintain this system of privilege. This commenced the evolution of an interest-based class and the foundation for the transformation in the cognition of the entrepreneurial class, most importantly one from a class *in and of* itself to a class *for* itself. A ‘community of suffering’, ‘common interests’, and a ‘corporate identity’ resulted in a ‘longing for freedom’ that represented a politically conscious class (Lipson, 1920, 188-190).

England's development was unique in that parliament, increasingly represented by the emerging bourgeois society, slowly acquired power independent from and eventually over the crown, and in obtaining this edge effectively facilitated the development of economic freedom and its sociological outcome (Root, 1994, 156-157; Nef, 1968, 136-137). At first Parliament sought to contend with the crown in obtaining privileges over economic regulation. This perpetuated the pervasion of corruption, which initially was utilized by entrepreneurs as a result of the privileges involved. But not only did the king become increasingly removed from direct involvement in the affairs of and transformations in economic development, unable if not disinterested in controlling business activity (Lipson, 1920, 179; Root, 1994, 141-159), but furthermore, Parliament was slowly engulfed by the emerging bourgeois elements. In turn, Parliament came to represent the interests of the rising bourgeoisie instead of acting in opposition to their interests: the rule of law, constitutional governance, democratic process and individual rights and freedoms reflected the new institutional framework (Moore, 1966; Root, 1994, 157). Parliament 'abolished some of the highest prerogative powers of the crown and struck down forever the system of paternal rule, with its infringement on vested property interests' (Zagorin, 1959, 395). As Root notes,

Parliament authorized registered businesses to become limited liability stock companies only in 1862. Two centuries earlier, Parliament had attempted to compete with the king for the privilege of establishing an enterprise. This competition was motivated by the bribes and credits that could be generated. In practice, English producers had learned that efforts to invoke restrictive regulation often incurred costs that were greater than the privileges conferred. As the competition between the courts and the uncertainty of enforcement hindered the application of mercantile regulations, English producers became more dependent on voluntary contracts (1994, 157)

As the case of England instructs, and in comparison to the specific characteristics of French development examined below, cultural factors were not determinative in delaying French development and in supporting English progress. Instead, the decisive factor was where opportunity existed – within the state or within a growing sphere of economic freedom – and the subsequent move towards dependence on or

independence from the political institutions (Root, 1994, 158-159): ‘rather than arguing that English gentlemen were more culturally receptive to capitalism than their French counterparts, it is suggested that the concentration of financial and industrial discretion in the office of the controller general permitted the French Crown to provide favored business groups with special privileges’ (Root, 1994, 158). The revelation that comes to the fore in the transitional cases of England, France, America, and many that have followed, is that a social bourgeois structure is required in order for the liberal-political order to successfully emerge, and which is dependent upon 1) the presence of market opportunities within a sphere of economic freedom; 2) the antagonism that stems from state predation, and which subsequently engenders property-law interests within an emerging bourgeois society; and 3) their level of independence from the absolutist and coercive political institutions, as well as their success in employing the newfound political principles as their object – as a class for itself. As Moore articulates: no capitalism, no bourgeoisie; no bourgeoisie, no democracy (Moore, 1966).

*Political Transformation in France: The Delayed and Violent Route to Constitutional Governance*

France’s transition from the preindustrial to the modern democratic order, which significantly deviated from its English predecessor, can be attributed to several underlying factors: France’s economic conditions were less conducive to capitalistic growth, where commercialization and lucrative markets were less developed; add to this the strength of its conservative political institutions and agents, where the noblemen sought to maximize their returns within the continuation of the traditional modes of production, and through dependency on the state apparatus, creating a sociological condition where conservative elites grew more conservative and entrenched, all the while an independent bourgeoisie emerged, whose growing imperative for the constitutional rule of law eventually initiated social revolution. In England, the elite sought to capitalize on emerging markets and in the process began to treat land as a true capitalist, that is, to maximize its use and ultimately its potential for profits; and the diminishing power of the king and the advantages presented in the

proliferation of markets led to the assimilation of the conservative elite into the ranks of the growing town dwellers, which in conjunction with the landlord-controlled parliaments, created the conditions for a more peaceful and accelerated path to the modern liberal order (Root, 1994; Moore, 1966).

The economic conditions – that of capitalist development and economic freedom - in France were less favorable than in England. But this, as in the eastern transitions under autocracy, was intimately connected to the strength of the political institutions of absolutism. England benefitted from an exceptionally vibrant market in the trade of wool, which in large part founded the significant evolution in economy and sociology in the course of English transformation. France, on the other hand, was without such stimulating economic conditions. Without such opportunistic markets and with the strength of the state, pre-capitalistic and conservative social conditions persisted. The French nobility employed and extracted as much from the peasant as possible, generating profits from rents, instead of eliminating the peasant and engaging markets as the English nobility had exercised. In turn, when in the sixteenth century the productivity of the system of lease holding declined, the nobility were without resource to advantageous economic conditions such as the wool trade in England, and thus, although they attempted to establish the demesne, they were ultimately unsuccessful. The sociological consequence was a turn to the offerings of the state for economic dividends (Moore, 1966).

In particular, the institutions of crown and church, serving as the absolute authority, purported an ideological claim to divinity and omniscience based upon privilege at birth, granting clergy and nobility an unparalleled socioeconomic status (Lefebvre, 2005, 7-13). Similar to the fundamental problems persistent in the eastern transitions, France was without institutions and legal mechanisms that to some degree protected the subject and restrained the monarch – such as existed in England in the way of Parliament. These institutions of church and state were formidable and pervasive; they wielded absolute control. The French version of parliament – the Estates General – was more an appendage of the king, and subordinate to his power, than it was a true representation of the people; in fact ‘the Estates General had not been convened since 1614’ (Habermas, 1989, 67-68). Instead, feudal institutions remained an appendage of absolutism, creating the dependent and conservative political conditions for its

relationship with the nobility, gentry, bourgeoisie, and peasantry (Habermas, 1989, 67). As a consequence, ideas at the time were created and disseminated from these institutions, as dogmatic truths, through control over education and printed literature (Lefebvre, 2005, 7-13).

The strength of the French state, which wielded significant national power over the sociological structure, controlled the sphere of opportunity, initially preventing opportunity to produce for markets and luring sociological elements towards rewards and privileges that – for a time – it could provide. The sociological attachment to these institutions was then afforded privileges such as exemption from taxation, land use and ownership rights and absolutist-supported coercion to enforce manorial dues. This first manifested in the state's perpetuation of the preindustrial economic conditions and their social relations by supporting the nobility's squeezing of the peasantry. As Moore notes,

This system of keeping peasants on the land as a labor force was buttressed by legal and political institutions inherited from feudalism...the right of seigniorial justice...provided a convenient way of forcing delinquent tenants to pay arrears and was part of the whole series of political sanctions that enabled the nobility to extract its economic surplus...In contrast to England, commercial influences as they penetrated into the French countryside did not undermine and destroy the feudal framework. If anything they infused new life into old arrangements...essentially what the landed proprietor possessed were certain property rights, whose essence were claims, enforceable through the repressive apparatus of the state, to a specific share of the economic surplus (Moore, 1966, 54-55)

As a result, the rationalization and secularization of the nobility, gentry and urban entrepreneur, that is the outcome of economic freedom and production for markets, was largely absent (Moore, 1966, 50-51).

The French state thus played a decisive role in maintaining a dependent and loyal conservative elite, while preventing its conversion into bourgeois elements; for an independent nobility, the elimination of the peasantry, and the growth of an independent bourgeois society, would signal the erosion of the social base of the monarchy (Moore, 1966, 49-50). Even when this economic foundation began to



erode, and began to undermine the state's sociological base, the state enacted measures to compensate for the lack of economic incentive for maintaining a loyal aristocracy. As time marched on, the French state encountered the fundamental dilemma that faced western absolutism or eastern autocracy in transition: how to compensate the nobility, and ensure its loyalty, in the face of declining revenue. The French crown used various mechanisms to temporarily engineer a dependent elite and to ensure a powerful and loyal social base. One mechanism - the sale of offices - acted to divert potential independent bourgeois elements to its monopolistic cause. As Moore notes, 'the rich bourgeois who acquired land moved into higher social circles either through being granted nobility or through purchase of a bureaucratic position...as there were often good pickings in the royal bureaucracy...its attractions may have served to diminish any tendency to operate an estate along English lines' (1966, 43). Another mechanism was to utilize the church: the king would provide lucrative positions for nobility within the church, yielding significant revenues, and in turn, the crown would protect the church from heresy (Moore, 1966, 44). Thus, whether it be the advantages of squeezing the peasantry or granting lucrative positions within the absolutist political institutions, the crown was for a time able to retain a loyal sociology in the upper ranks of French society (Moore, 1966, 48).

As a result of the nobility's move to profit from the peasants, instead of the decision to enclose and eliminate them altogether, as well as the move to use the coercive apparatus of the state to secure its privileges all the while capitalist forces were spreading – albeit slowly - through the feudal order (Moore, 1966, 70), they came to resent the increasingly parasitic feudal and political institutions. Nonetheless, the peasants in the end employed a limited vision: peasants that possessed property but without formal recognition wanted ownership, and the poorer peasants wanted land returned to them that had been parceled out in the midst of capitalist transformation (Moore, 1966, 72-73). As history has instructed, peasants have proved incapable of creating a greater vision and organization required for social revolution, a place largely commanded by the bourgeoisie. As Moore notes, 'only when popular grievances [that of the peasantry] could coalesce even briefly with those of more powerful groups would they help to bring the monarchy crashing down amid fire, blood, and smoke' (1966, 70).

The attraction of capitalist opportunities fostered not only the rise of an urban bourgeois society but it also engendered the nobility's break from dependence on the state, and its slow assimilation into the ranks of the emerging bourgeois elements: 'At its upper level the nobility tended to suffer amputation of a minority whose condition of life drew them to the bourgeoisie and gave them liberal ideas. These were envious of the English lords who enriched themselves in bourgeois ways and who by sitting in Parliament formed the ministry and government of the country' (Lefebvre, 2005, 14). Capitalist ways had slowly seeped through the old order, detaching nobility from the crown and positioning them in opposition to the absolute power of the king. Although this initial impetus came from the aristocracy, which had become bourgeois in the economic and legal sense of the term if not in part in the political sense, the ultimate objective for the nobility was the retention of their privileges. Thus, for the bourgeoisie, without the Revolution of 1789, the system of privileges such as exclusive rights to resources or exemption from taxation – as the clergy and nobility would have had it – were set to remain within the hands of the upper classes while the power of the crown was diminished (Lefebvre, 2005, 21-36).

What becomes evident in the case of France is the fact that the sociological structure that evolved under the guise of a bourgeois society did so through the amalgamation of various social elements, which stood in stark contrast to the English sociological development and its evolution of an independently fused bourgeoisie founded on economic freedom and power (Lefebvre, 2005; Skocpol, 1979; Moore, 1966). As noted above, the overwhelming power of the absolutist institutions in France were instrumental in limiting the growth of an independent bourgeoisie. French absolutism wielded a degree of power absent in English transition. As Skocpol notes, royal absolutist power governed the provinces through 'thirty-some removable *intendants*' (1979, 52). Perhaps, though, it was the unique circumstances of French institutions, which characterized neither eastern nor western traits, but which exercised an interplay of both bureaucracy and feudalism in an attempt to prevent the growth of a bourgeoisie, that allowed for enough independence from absolutism for the establishment of the constitutional and democratic order. The crown's sale of offices, which facilitated the fusion of entrepreneurs and nobility in initial dependence on absolutist institutions, ultimately induced the 'feudalization' of the bourgeoisie (Moore, 1966, 109). It seems that this practice, which 'undermined the king's

independence' (Moore, 59), was a decisive factor in destroying the powers of absolutism. If not for the decline of the crown amidst continued feudal predation, France would have likely continued, as did the eastern transitions, down a very different political path. Fortunately for the bourgeoisie, the declining power of the crown and the continued power of feudal elements engendered social disaffection and formation among not only the bourgeoisie, but also peasants and even some of the entrenched nobility who joined the cause of the bourgeois revolution (Moore, 1966; Lefebvre, 2005).

Although the strength of the French autocracy for many years had successfully atomized a critical public sphere, preventing an early vibrancy that had existed in England (Habermas, 1989, 67-68), a critical public sphere emerged in France around the middle of the 18<sup>th</sup> century, which came to represent newfound liberal ideas, articulate in its philosophy, and purposed in its objectives to check the abuses of political authority. The sociological organization that emerged within the growth of towns, and forged a public sphere of critical discussion and organization, also founded the revolutionary and liberal ideas that would come to define the process of political-institutional transformation; and the activity in the cafes and salons came to reflect this emerging public sphere. The growing bourgeoisie were increasingly inducting new social elements into its revolutionary paradigm, including, clergy, nobility, and relatives of Louis XVI, which united in opposition to the aristocracy, and which discussed the emerging principles of the day: religious freedom, equality of conditions, and overall liberation from the political institutions (Lefebvre, 2005, 46-47; Moore, 1966, 84, 105). The constitutional development that commenced following the Revolution mandated a new legal framework for all to acknowledge: the constitution of 1791 stated, ‘ “the free communication of ideas and opinions is one of the most precious rights of man. Everyone can therefore speak, write, and print freely” ’ (Habermas, 1989, 71). Furthermore, ‘the constitution of 1793 explicitly included freedom of assembly in the protection of freedom of expression: “The right to communicate one’s ideas and opinions, whether through the press or in any other manner, the right to assemble peaceably...cannot be refused” ’ (Habermas, 1989, 71). In turn, ‘among bourgeois of diverse kinds was forged a link that nothing could shatter-a common detestation of the aristocracy’ (Lefebvre, 2005, 46).

The organizational vehicles within the critical public sphere also proliferated, and power began to shift from state to society as this newfound sphere began to check the traditional political institutions. The Estates General was reactivated and reconvened in response to the growing politicization of the public sphere, and parties were created that then provided a base for new activity within this parliament; and a politically oriented press became active, all with the purpose of moving towards constitutional governance. The model of market relations – that is a legal superintendence of exchange relations based upon contracts - provided a template for exchanges in the political sphere: individual status and privileges based on estate and birth were no longer recognized (Habermas, 1989, 75). And this growing organizational and philosophical power, with the economic power first subsumed in the advent of capitalism, illuminated the problematic relations between state and society: the crown's loss of economic power yet retention of political monopoly; and society's economic vitality without access to political input (Habermas, 1989, 69).

The French Revolution of 1789 commenced the process of political institutional change, creating a domino effect that would slowly topple the autocratic institutions and replace them with institutions representing the emerging bourgeois society:

The Jacobins broke up the ground in which feudalism had been rooted, and struck off the heads of the feudal magnates who had grown there. Napoleon established throughout France the conditions which made it possible for free competition to develop, for landed property to be exploited after the partition of the great estates, and for the nation's powers of industrial production to be utilized to the full. Across the frontiers he everywhere made a clearance of feudal institutions, in so far as this was requisite to provide French bourgeois society with a suitable environment upon the continent of Europe (Marx, 1926, 24)

In observing and responding to the Revolution, Thomas Jefferson wrote the following in Paris in 1789: 'the executive and aristocracy are at their feet; the mass of the nation, the mass of the clergy, and the army are with them; they have prostrated the old government, and are now beginning to build one from the foundation (Appleby and Ball, 1999, 154-155). The absolutist institutions of church and state had been toppled. Although the French Revolution was influenced in part by peasants and

urban workers, it was a bourgeois revolution in the fact that the bourgeoisie, that is, a politicized bourgeois society based upon the need for 'equality before the law', 'private property' and the 'rights of man' (Moore, 1966, 84, 105), had carried the movement through revolution. Most important was the fact that the constitutional rule of law and democratic process ultimately prevailed, opposed to fascism, despite the fact that a considerable conservative and entrenched elite had developed within the sociological structure. In the end, the sociological forces and ideas behind the revolution were strong enough to carry France towards democratic governance; and, the social agents of democracy in France were capable of developing the critical public sphere – something undeveloped in Germany (Habermas, 1989, 72). As Moore notes, although it would be some time before capitalist democracy would grow roots, the Revolution had begun the process of political institutional transformation based upon the principles of constitutional rule of law and democratic process (1966, 110).

## **Conclusion**

The scholarly literature has established a correlation between the economic transition to capitalism, the rise of new sociological structures and political institutional transformation. The indices of economic development – that of wealth, urbanization and industrialization – provide the foundation for a new and complex sociological structure. The most formidable component to this new structure - the middle class - emerges as the majority and is the sociological manifestation of the growth of wealth and education. The independent economic power and education then cultivates the democratic values that provide the impetus behind the political transition to democracy. Most important, though, to the growth of democratic process, was the growth of a bourgeoisie: an entrepreneurial class, which developed economic and legal interests, and political principles to govern over their protection.

The growth of a bourgeois society that matured into a political class for itself was dependent first and foremost on the variable of economic freedom, which was facilitated by the decline of traditional political institutions and the rise of markets and opportunities for profit. The advent of economic freedom and the demands of markets

created a new economic and philosophical sociology as it commenced the process of rationalization and secularization. The emerging entrepreneurial class became rational in its veritable desire to locate and capitalize on the opportunities that were presented in the rise of markets; and equally became secular as it rationally engaged this newfound economic sphere and became economically independent and powerful. The dogmas premised on privilege and political monopoly that had been purported began to erode and paved the way for the requisite of a new philosophy. The continued growth of economic freedom and the growth of private property and private entrepreneur and the continuation of privilege and the rise of state predation led to not only a sociology detached economically from the state, but one that developed interests in the way of property-law. As the sociological structure grew increasingly independent of the political institutions, they engaged in the critical public sphere to discuss and define the political principles that would come to reflect the new institutional order. Social revolution was employed in order to pave the way for constitutional rule of law and democratic process.

England was the first nation to embark on this historic transition. The advent of markets in general but one market in particular – that of the wool trade – provided the impetus behind its successful transition to the modern capitalist and democratic order. Further intensifying the effects of this opportunity in emerging markets was the fact that English absolutism was relatively tame; the king was not as absolute in power as its French counterpart, which allowed feudal agents and economic processes to exercise greater independence from the state. As the towns evolved and their sociological attachment in the urban bourgeois elements emerged to capitalize on market opportunities, the nobility and the gentry equally began embracing the new economic environment and began producing for markets – again most emphatically in the wool industry. As a consequence, the feudal organism began to erode. Landlords began the process of enclosures for purpose of pasturing, and in order to maximize profit, and the peasant population in turn began to decline. The sociological structure became increasingly bourgeois in the economic sense of the term as nobility and gentry fused with the urban bourgeois, which emphasized private property and economic freedom. As the king and remaining feudal appendages attempted to retain control they became particularly predatory, which provided the impetus for the rise of a bourgeois society in the legal sense – with imperatives for constitutional rule of law.

The existence and relative independence of parliament in England allowed these emerging bourgeois forces to occupy parliament in opposition to the crown. The principles and interests that were represented in parliament were those which were discussed and articulated in the critical public sphere: protection of private property, constitutional rule of law, freedom of association and press, representation and separation of powers.

The strength of France's absolutist institutions contained the sphere of economic freedom and opportunities within markets, and consequently, halted any notions of sociological independence. In France the landed elite, instead of engaging markets, squeezed the peasantry in an attempt to extract a larger surplus. As a consequence the elimination of the conservative sociology, which was effectively accomplished in England as a result of the newfound economic sphere, was perpetuated in France – peasantry remained and landed elite became further entrenched. This is not to say that markets and entrepreneurs were absent but rather that early on the state was able to suppress the formation of independent economic power and divert social elements into dependency on the state. Thus, the social elements that converged in revolution were more diverse than in England – they included peasants, workers and bourgeoisie. But it nonetheless was a bourgeois revolution in not only the political principles for which the revolution pursued and achieved, but also in the fact that a political bourgeoisie, as a class for itself, led the revolution with support from other social elements, and against the entrenched feudal organism. The revolution of 1789 effectively toppled the political institutions based upon privilege and began the process of implementing those institutions that would serve the interests of constitutional rule of law and democratic process.

## **4. The Fate of the Eastern Bourgeoisie in Transition**

### **Introduction**

This chapter examines the diversion in the independent variables of socioeconomic development, and the political consequences, which arose in the eastern variants of Russia and China, and which created power behind non-bourgeois social actors and established a socialist system and totalitarian political institutions. It therefore seeks to answer the following question: ‘How did the specific variables of economic freedom, state predation and political alignment evolve in the eastern transitions so as to produce an altogether illiberal outcome?’ The historical-comparative study reveals deviations in eastern development resonating from one powerful factor: the autocratic state and its capacity for social repression through ideological engineering. The comprehensive state machinery that existed in Russia and China restricted the presence of legal systems and parliamentary institutions, and equally important, restricted the early development of a rural-urban divide. It is attention to these factors that make clear the alternative progression in the cases of Russia and China as they transitioned from a traditional feudal system to a modern nation-state.

The first half examines the case of China and brings to the forefront the relationship between state, society and economy in the 19<sup>th</sup> and 20<sup>th</sup> centuries. In contrast to the western evolutions, China was without an agrarian revolution that emphasized urbanization and industrialization – a crucial and lengthy process in western developments. Instead of commercializing agriculture, mechanizing its production and forging links with the cities, China remained isolated and secluded while it used its massive peasant population to produce off the land. When the state eventually realized that traditional systems were incapable of sustaining a modern socio-economic order, and that development was a requisite for its legitimacy, as a result of the underdeveloped economy and sociology, revolution was led not by liberal forces but by conservative elite, which further perpetuated the system of privileges. The end of Dynastic China created the independent environment essential to the emergence of



a bourgeoisie, where by 1919 one could witness the rise of a true business class. But as articulated below, its failure was inevitable, as inadequate development amidst revolution produced a politically vacuous environment and internal disorder. Thus, although a bourgeoisie emerged in at least Shanghai by the mid 1920s, they were doomed to fail. The failure of the KMT to support the bourgeoisie, and its defeat at the hands of the peasantry and the CCP, would produce grave political consequences for the bourgeoisie.

The second half examines the factors surrounding Russia's development that culminated in the consolidation of communist party. Similar to China, the Russian state machinery inhibited the proliferation of commerce and domestic markets, encouraging the continuation of conservative social forces, while also preventing the rise of a bourgeois society. Russia, it can be said, exhibited an even more veritable autocracy than the Chinese imperial order. Economic activity that occurred did so either with influence from external western markets, or took place under heavy control by the state. When a bourgeois class did finally emerge in Russia, they emerged with ideological division and as a minority class facing massive worker and peasant forces. Once again, the failure to develop economy and sociology prior to revolution led to worker and peasant revolutionary forces opposed to a bourgeoisie - as a class for itself. The bourgeoisie, in the end, in fact ended up siding with a monarchy in decline in an attempt to prevent the consequences that would ensue in the rise of a communist party and its social origins. This tells the fateful story of state control in eastern transition.

#### **4.1 The Rise and Fall of the Chinese Bourgeoisie: 1862-1937**

##### *The Chinese Merchant and Traditional Society*

As one begins the study of the fate of the bourgeoisie in the eastern transitions, the power of political institutions in stunting economic growth and engulfing sociology into its political framework almost immediately comes to the fore. In the case of China, one can easily be overwhelmed and diverted by its cultural traditions and the

impact they seem to have on the developmental outcome in general, and the sociological and institutional consequences in particular. This, though, is largely misleading. Chinese merchants, for example, displayed many of the same characteristics as the western merchants did in their evolution towards a mature bourgeoisie, despite the social customs that ostracized this profitable behavior. Furthermore, commercialization existed, as did the pursuit of opportunities for socioeconomic growth, for the rational purposes of greater wealth and social elevation. The persistent problem, rather, was that the opportunities were within the state while economic opportunities remained limited. Certainly some historical factors were part of the equation in the growth of a modern bourgeoisie (See Fairbank, 1986, 4-5). But when searching for the cause of China's failed modernization in general and failed sociological outcome in the evolution of a bourgeoisie in particular, the path more often than not leads back to the power of the political institutions in delaying economic growth and thereby setting in motion an entirely different course of sociological development: the diversion of potential bourgeois elements towards dependent on the state – for wealth, legal protection, and political power (See Levy, 1949; Shih Kuo-Heng, 1949; and Moore, 1966).

The social and economic organization of preindustrial dynastic China was in some ways similar to western cases, but in other ways was uniquely Chinese – in the way that the state commanded a dominant position. First and foremost, markets were limited, while individual familial units within villages perpetuated preindustrial economic conditions. Processes and interactions that characterize markets and economic freedom, such as exchange of goods and production for profit and investment, and industrialization to meet these needs, were limited; instead, self-sufficient, family units consumed what they produced (Levy, 1949, 4). As Skinner notes, the condition of self-sufficiency led to a limited need to market goods; markets thus were convened in 'periodic' opposed to 'daily' fashion (Skinner, 1964, 11). Moreover, the more markets grew and the higher the entrepreneur rose, the more this class was subjected to taxation and overall regulation by the Imperial authorities. In turn, 'not only was there no economic apex paralleling the administrative capital, but the flow of goods, which defined the structure, was seldom very heavy by modern standards' (Skinner, 1964, 31). Furthermore, preindustrial China followed a Chinese version of feudalism: the literati, or the ruling class, trained in Confucian classics,

ruled and the farmer worked the land to support the ruling class; no room was allowed for a middle, profit-oriented class, independent of this organization (Shih Kuo-Heng, 1949, 21-22). The social institution of the family, which not only supported the traditional social and economic organization, but even more importantly the continuation of traditional political institutions (See Levy, 1949, 1-2; Pye, 1992), was retained, instead of replaced by capitalist organization, as a result of the state's stunting of economic development and diversion of bourgeois elements.

Thus, in terms of Chinese entrepreneurship, it wasn't a case of whether or not they existed; as Shih Kuo-Heng notes, they had been in existence since the Chou Dynasty in 1122 B.C. (1949, 21). In fact, the Chinese entrepreneurs in some ways embodied similar characteristics to the entrepreneurial class in the western transitions. For one, they demonstrated the potential for rational behavior – the pursuit of opportunity in emerging markets, the acquisition of wealth, and support for further economic development. As Levy notes, 'it involved administrative talent and an ability to think and act primarily in terms of a market situation. It also involved thinking in terms of all sorts of alternatives and innovations. The average Chinese merchant who increased in wealth and power characteristically did so by branching out into broader and broader concerns' (Levy, 1949, 5). Instead, it was an issue of where economic opportunity existed, which was not in a sphere of economic freedom and with growing markets, but instead, through the state. Profits generated from market and commercial activity, when acquired, were diverted - first to perpetuate the system of landholding, and then to assimilate family members into the state through classical training and the examination system (Levy, 1949, 5; Moore, 1966, 165).

China's developmental diversion can be linked to its agrarian bureaucracy, which effectively engineered the assimilation of a privileged ruling class inclusive of potential entrepreneurs, and in turn limited economic growth. The question then is how did landowning in fact provide the wealth necessary to satisfy officials? This came through multiple revenue streams, some more lucrative than others. In short, the Imperial bureaucracy supported the ruling class' move to further squeeze the peasants; provided legal protection of property and policing of rent collection; and allowed for the practice of political corruption, all in order to compensate for the officials' otherwise lack of economic incentive in the occupation of officialdom. The

obvious stream was by collecting grain from the peasants labor, and selling the surplus for a profit – though this yielded nominal gains. The more lucrative stream was capitalizing on China's overpopulation. Here, the landowners would attempt to attract as many peasants as possible to the land for cultivation, creating a competitive bid process among the peasants, and in turn would generate healthy profits (Moore, 1966, 162-227).

In terms of markets and entrepreneurial activity, the state either controlled the economy; or squeezed those who controlled production and distribution - in other words, they engaged in corrupt practices. Corruption was an equally lucrative method for increasing individual wealth; but it also acted to increase wealth at the expense of private enterprise and private entrepreneur and the overall growth of a vibrant economy. As one author notes,

The political situation and legal system were also determining factors in enterprising development...the Chinese merchants were somewhat like orphans and their business was, as a rule, at the mercy of officialdom. They were prey not only to a central authority but to all who could take advantage of them. There were no laws to define their rights and business profits (Shih Kuo-Heng, 1949, 22)

The avenue of corruption in China brings to the fore the issue that emerged in both western and eastern transitions: how to maintain a loyal officialdom or nobility in the wake of economic reform and greater opportunities for wealth independent of the state. In France this manifested in the sale of offices while in China it manifested in the exercise of corruption (Moore, 1966, 167-173). This took many forms in China. For one, the officials abused their privileges of taxation, specifically the taxation of commerce, which would not only keep a lid on the growth of independent wealth but would also generate wealth for the privileged class. As a newspaper article noted on the difference between the oversight of the salt trade in Imperial China and Republican China, not only did entrepreneurs retain little profit – the majority of which went to the official employing taxes and fees – but equally very little of the collections made it into the hands of central revenue (The North China Herald (NCH), 1916a, 239-240). As a newspaper reports in 1916, under the title the 'Salt Administration',

The collection of salt taxes had become so overlaid with corrupt practices that the task of uprooting them appeared a well-nigh impossible one...it is impossible properly to appreciate the significance of this triumph without detailed knowledge of the system as it existed when the Foreign Inspector-General took control...the right to produce salt was granted in perpetuity by license to professional makers termed *tsao-hu*...the method of distribution took one of three forms. In some places Government officials licensed wholesale merchants to purchase convey and sell salt under official direction within certain specified areas. In others, Government officials themselves bought salt from the producers and undertook its transport to fixed depots, where they sold it to wholesale merchants...In others, again, Government officials bought and conveyed salt and sold it to retail merchants direct...It will be observed that this system was typically Chinese, ideally calculated to ensure the maximum number of opportunities for squeeze. For amid all the transfers and cross payments which is necessitated only one tax levied direct...all the other taxes were matters of arrangement (NCH, 1916a, 239)

The newspaper excerpt then continues by explaining how the producers and distributors of salt were previously squeezed by the state:

When the *changshang*...received an order to convey salt...he applied for the issue of a...conveyance pass, on receipt of which he shipped his salt... on arrival at the depot the salt was stored whereupon the *Ch'ang-shang* proceeded to the central office...and received half of the estimated value of the salt, obtaining the balance when the salt was sold, that is to say its net market value minus taxes, *likin* and other deductions. Similarly...the merchant entitled to purchase and convey, in order to get possession of the salt had (1) to pay half its estimated value...(2) to make his own bargain with the *shih erhwei* depot, (3) to defray all taxes official and semiofficial before getting his delivery permit...and finally to pay up the balance of the salt's value to the Government...In both cases the scope for bargain money and squeeze was, obviously, very wide...it is not surprising...that the government received only a small percentage of the taxes actually collected. For centuries, in fact, the Chinese Government has had at its disposal a source of revenue which never yielded what it was capable of producing (NCH, 1916a, 239).

Furthermore, this reflected the privileged class' understanding of the connection between independent economic growth and power, if not an actual growing concern on the part of the privileged class over the growth of these forces in China and the

threat they posed to the existing order. Thus, they suffocated excesses in independent commercial activity not only to line their pockets but equally to prevent the growth of the entrepreneurial class as an independent power. Finally, the state also retained direct control of key industries and resources, such as the salt and iron trades, which stifled economic activity and further induced entrepreneurship into the state (Shih Kuo-Heng, 1949, 22; Moore, 1966, 175-227).

Thus, as a result of economic underdevelopment and overwhelming state power, the dynastic merchant remained illiberal; and his activity never directly resulted in the fundamental transformation of state and society. The capital that was acquired by the merchants under market activity was not reinvested for individual and market growth; instead it was a one-track system emphasizing landowning in order to lift offspring into the ranks of officialdom. This was especially encouraged in the absence of property rights enforced through a system of law – an endemic problem throughout the history of the middle class (Shih Kuo-Heng, 1949, 22). The result was the presence of an informal arrangement between the state and merchant, a system based upon *guanxi*, and which proved costly for the entrepreneurial class:

The area of discretion left to the officials meant from the point of view of the individual businessmen an ill-defined situation with regard to power and responsibility. The major bases for prediction of the situation had to be either intimate personal knowledge of all the officials concerned or bribery and control of the officials. Even if one knew the officials, it did not follow that one could prevent interference with the conduct of business or that one could guarantee a stable situation (Levy, 1949, 15)

In the case of China we see an emphasis on the personalization instead of the contractualization of business relations. Personal ties within society were the basis for protection, stability and the elevation of socioeconomic status; and as a result of this established model for the organization of relations within Chinese society, emanating from the familial model of filial piety and its emphasis on subservience and passivity towards authority, the state was in theory protected from societal opposition (Solomon, 1969). This cultural component in China certainly acted to further enforce a passive and subservient society; but ultimately this system remained as long as economic freedom remained absent. Thus, the entrepreneurial product was faced with

a losing battle in their bid for independence from the state. With limited economic freedom and advancement overall, and the state's diversion of sociology into its ranks, the entrepreneur in traditional China remained a loyal dependent of the state. As Solomon notes, the product was 'a government of men, not laws' (1969, 280).

Thus, what proved a decisive development in the western transition, the fusion of aristocratic elements with the ranks of the bourgeoisie, remained underdeveloped in China, as a result of a lack of economic freedom. As Shih Kuo-Heng notes, 'A much stronger economic incentive might have led to an earlier emergence of large-scale business and this, in turn, might have gradually developed a new economic system and changed traditional social value' (1949, 22). Actions taken by the gentry further demonstrate the importance of opportunity and incentive: the gentry were quite concerned with the potential for independent commercial growth; as they saw it, although Confucianism upheld deference, they recognized that it was not an exclusive barrier to the emergence of an independent commercial class. In order to curb a potential political threat and ensure their status, the gentry went as far as imposing taxes on profits that were, according to them, in excess and thus threatening the system in place. In other words, in light of Confucian support for the socio-political system in place, they recognized the importance of implementing mechanisms for suppressing capitalist activity in order to also repress the emergence of an autonomous bourgeoisie (Moore, 1966).

As a consequence of this lack of growth in industrial development and economic freedom, dynastic China – until well within the reign of the Qing Dynasty - remained in a state of socioeconomic and political underdevelopment. In particular, the lack of economic growth prevented the rise of a rational and secular entrepreneurial class – characteristic of the first stage of liberal entrepreneurial development. Without a thriving sphere of economic freedom, which created the conditions for independence and individualism in conjunction with increased opportunity for social elevation and wealth, the growth of a bourgeoisie was limited. Not only did this prevent the growth of a bourgeoisie, but it equally prevented the traditional social ranks from assimilating into the ranks of a newly emerging bourgeoisie. As a result, the development of an entrepreneurial class, that embodies an interest-based platform and rights-based initiative, and capable of transforming China's political institutions, would be further

delayed.

By the end of the 19<sup>th</sup> century, the influx of foreign business following the Opium Wars provided support in terms of modernizing China's economy and creating the foundations for the nascent formation of a modern Chinese entrepreneurial class. One could witness gradual changes taking shape in the social order towards the end of the Qing dynasty, as traditional structures were transformed in light of modernization agents (Fairbank, 1983). The rise of a modern Chinese business class resulted from industrialization and the advent of large factory production in 1862 (Shih Kuo-Heng, 1949, 37), and, from opportunity in marketable commodities, particularly, with the commercialization of opium and textiles. The demand for opium provided not only opportunities for citizens, but it also provided a source of levy for the government; thus although initially imported, it slowly became a domestic product and a great source of revenue. The other source of opportunity arose through imported cotton. This industry terminated the traditional weaving approach in Chinese society and eventually became a domestic industry with equal potential for revenue (Shih Kuo-Heng, 1949, 24-27). In 1903, commercialization increased along with the rise of commercial institutions and associations, and by 1911, the cotton industry had broken through China, representing a significant catalyst for the emergence of a modern Chinese business class (Shih Kuo-Heng, 1949, 37).

At the turn of the 20<sup>th</sup> century, the growing western influences, especially in the coastal areas, began to push China beyond its previously self-imposed economic limitations, creating the foundation for what would become the growth of native Chinese industry (Shih Kuo-Heng, 1949, 37). As Chan notes, the key development in China's reversal on economic policy – that is industrialization, commercialization and international trade – was the uncovering of China's trade deficit and the decline of not only individual wealth but most alarming - the state's wealth. Consequently, the officials came to support a new policy (Chan, 1980, 417). Here we see resemblances to the western sociological evolution of not only the growth of an independent bourgeois society but also the growth of landed elite and nobility into the ranks of a rising entrepreneurial class (Chan, 1980, 419-421). As a consequence, they 'assumed successive new roles: first supervision, then managers, then investors and finally, for some, official-entrepreneurs' (Chan, 1980, 419). Thus, the beginning of the 20<sup>th</sup>



century provided the economic (increased economic freedom), social (an emerging entrepreneurial and business class) and political (the decline the exclusive and privileged political system) foundations for the formative years of the Chinese bourgeoisie. But in the case of China, variables that in the West led to the creation of a fully matured liberal class were stunted primarily by dynastic China's emphasis on traditional relations of production and societal dependence on the state. Thus, on the eve of revolution in 1911, China remained in a state of gross underdevelopment economically and sociologically. With the agrarian elite spearheading revolutionary activity, and with the intent on maintaining its privilege, what chance did the entrepreneurial class have, in its still nascent state, in creating new and lasting political institutions in support of its bourgeois society?

### *Post-Revolution and the Emergence of a Chinese Bourgeoisie*

The 1911 Revolution was the result of growing disaffection with the political authority among the localized gentry. The politically vacuous environment that persisted in post-revolution China can be understood not only in light of the lack of China's modernization, but furthermore, in the provincial influence underlying the revolution. The 1911 Revolution, and its political consequences, were derived from a string of interrelated events founded upon economic factors: China remained engaged in localized commerce, not market relations and industrialization. The peasants, which were maintained on the land as the productive forces, instead of replaced to make way for advanced production, while also increasing in number, were also growing victims of proliferating and pervading gentry corruption. As a result, China experienced peasant rebellions in the 19<sup>th</sup> century, which crippled the Imperial authority both militarily and financially, and which in turn forced the Qing authority to contract military power out to the localized gentry power bases. This reinforced a growing system of provincialism and gentry factionalism. In the end, the reforming efforts initiated by the Qing from 1898 to 1910 acted mainly to reinforce the segmented institutional power in the localized gentry, while diminishing the power of the central autocracy in the Qing authority (Skocpol, 1979, 67-79). Thus, instead of the growth of economic freedom, the elite further exploited the peasantry through

arbitrary taxation and corruption, perpetuating China's economically backward and socially underdeveloped conditions, while creating a veritable degree of political instability in China (Fairbank, 1986; Bergère, 1983, 744; Wen-hui Tsai, 1986).

Though the end of the revolution was met with high hopes for China's future – with intentions to install constitutional and representative institutions – the reality revealed that the characteristics of China's periodization following the revolution were far from conducive for the realization of this end (Skocpol, 1979, 79-80). Sun Yatsen's Republic, characterized by its emphasis on abolishing privilege and monopoly, as well as increasing modernization, was established in 1912 as the national government (Bergère, 1983). Nonetheless, its short life – ending the same year – saw the rise of a dictatorship in the regime of Yuan Shikai. This commenced the degeneration of the political environment, and the subsequent decline in a supportive business environment for China's rising entrepreneurial class. As an editorial in a Chinese newspaper notes in 1916, written as advice to Yuan Shikai, states, 'The merchants have their business calculations upset. This condition of affairs will, if not amended, very likely cause universal dissatisfaction amongst both Chinese and foreign merchants. Yuan should bring himself to understand that all these evil consequences have been caused simply and solely by his unbridled ambition' (NCH, 1916b, 251). Subsequently, although it seems that the government apparatus under Yuan provided temporary support for and stability behind business activity, in the spring of 1916, a social impulse began to grow for the resignation of Yuan Shikai (NCH, 1916f). As a newspaper article noted,

So far the anti-Monarchist movement has only caused a suspension of business activity in certain regions, and has not led to the wholesale destruction of the machinery of government which characterized the revolution of 1911. Provided a settlement is arrived at speedily such a condition may be almost entirely avoided. But every day during which the situation is allowed to drift makes a recovery more difficult (NCH, 1916e, 376)

On the eve of Yuan Shikai's death in 1916, China's political environment began to splinter as warlordism ensued, and in turn, created large-scale destruction to the economy and its potential for growth. Warlords increasingly exploited all areas of the economy: they forced peasants into military roles; imposed arbitrary rights to all

farming operations and possessions; and placed high taxes on goods (NCH, 1919a, 5; Fairbank, 1986, 180). The Qing dynasty had actually provided a main driving force behind the creation of the warlords, and their provincial militarism: due to the ineffectiveness of the Qing's military in managing both domestic and international threats, they assisted provincial officials in establishing their respective military forces, which in turn, fostered not only the rise of competing bases of power against the Qing, but after its fall, the rise of warlord governance (Wen-hui Tsai, 1983, 33-34).

Thus, accelerating growth in China's coastal regions, especially Shanghai, was met by a highly unsupportive political environment. In turn, China's economy and entrepreneurial class, though continuing to grow, remained isolated in the coastal areas, and ultimately dependent on the foreigners. As an article on Shanghai markets noted in 1916, 'conditions in the country are such that good demand is confidently looked for. Merchants and dealers are ready to buy, and the only thing that is holding back order just now is the unsettled state of China politically' (NCH, 1916g, 402). China's key resources remained untapped, while foreign nations capitalized on China's underdevelopment: Japan developed trade with Manchuria in place of China, and represented by business activity resembling 'energy, inventiveness, and skilled organization' (NCH, 1916h, 427). Once again the political environment comes to the fore. Although state predation existed, and did act to antagonize the social elements associated with and supportive of economic freedom and market opportunities, state predation during this period did more than this – it depressed economic growth on a national scale, and in turn, prevented the rise of markets, industries and entrepreneurs that would evolve into a powerful political force:

The world today is full of distressing losses and bewildering opportunities, both of which are apparent on every page: and it is deeply to be regretted that the stupidity of China's political upheaval which is chiefly to blame for the former has also prevented her from taking more advantage of the latter than has been the case. Here for example is a passage which ought to make Chinese officialdom blush, if it have not wholly lost the faculty for doing so: "Piracy on the Canton River was not quite so frequent, owing to the policy of establishing patrols and garrisoning dangerous localities. But the North River was still so unsafe for native craft that most of the freight has been diverted to the railway. Junks only

travel in fleets, and engage “soldiers” who are supplied by agents guaranteeing a safe passage. The junks pay, it is said, a fee of 5 percent of the value of their cargo, and the agents pay the pirates to leave them alone” (NCH, 1916h, 426-427)

World War I brought new opportunity for China’s industrialization: new markets were opened to Chinese opportunists and industrialists with the decline of foreign presence; and imports decreased significantly, creating a void especially in markets such as cotton products. By the end of the war, and with circumstances advantageous for China’s continued growth, such as a return to international norms in pricing and transportation, the Chinese business class was able to re-commence its drive for native, societal-led industrialization. The sprouting of modern industry, linked to access to advanced machinery, was witnessed in areas such as the growth of cotton and subsequent construction of cotton mills; the growth in food industries and subsequent flourmills; and the rise of the tobacco industry (Bergère, 1989, 64-83). In 1913 China had 484,192 spindles and 2,016 looms; whereas by 1919 it had 658,748 spindles and 2,650 looms (Bergère, 1989, 71). In May of 1916 it was estimated that China had 27,500,000 mow of land devoted towards this industry producing an estimated quantity of 1,630,500 piculs (NCH, 1916h, 427); and by 1919, the evidence indicates not only the accelerated growth of the cotton industry, but even more so, a desire for its growth supported by Chinese entrepreneurs and independent of the foreigners. The entrepreneurs were intent on moving away from consumption of imports and instead on developing domestic industries to supply the growing demands (NCH, 1919b). As another newspaper article noted in 1919, this reflected a ‘change of old ideas’, most importantly, the rise of the rational Chinese entrepreneur in capitalizing on the opportunities, and the potential for profit, in China’s rising cotton industry (NCH, 1919c, 550). By this time China had begun to surpass the former foreign domination of this industry, heralding the further growth of the Chinese entrepreneurial class:

It was assumed and freely expressed a few years ago that it was only a matter of time when the whole of the Chinese mill industry would be in the hands of the Japanese. There are today big foreign and big Japanese interests in the established mills, but the development which has taken place during the past six months has been practically exclusively Chinese and when the mills, which now have been ordered and some of which

are already in course of erection, are all accomplished facts, the Chinese themselves will have by far the predominant interest in the cotton mill industry of this country. This is due to men like H. Y. Moh, C. C. Nieh and C. C. Yung who have tackled the problem in a most businesslike and far-seeing manner, and by interesting their countrymen having the necessary capital, they have established a lead for the Chinese themselves (NCH, 1919d, 551)

By the end of the second decade of the 20<sup>th</sup> century, the Shanghai entrepreneurial class indeed emerged independent of foreign influences. Although the foreigners had controlled the ports of China, most notably Shanghai, by 1919 native industrialists managed to successfully break the control of the foreigners and establish their respective businesses. The Nanyang Brothers' Tobacco Company is but one example: establishing its first branch in Shanghai in 1917, and faced with considerable odds, its persistence in development eventually yielded dividends: by 1919 the company had managed to open two additional branches in Shanghai and Ningbo alongside its foreign competitors (Bergère, 1989, 73-74).

The foreign influences not only provided an economic stimulus for the future development of a native Chinese industry and economic experiment, but furthermore, they brought modernizing influences such as educational stimuli, which equally led to the development of Chinese educational infrastructure, including the press. For example, the North China Herald, begun in 1850 to facilitate the interests of foreigners, expanded in the late 1870s to include a Chinese version, further extending to Beijing and creating a national news network. The Christian missions, in particular, were decisive in facilitating the rise of literacy mediums in China at the turn of the 20<sup>th</sup> century. In fact as Fairbank posits, the Christian mission arguably influenced China more as a facilitator of socioeconomic development than as an inculcator of Christian precepts (Fairbank, 1986, 142-143).

At the close of the second decade of the 20<sup>th</sup> century we begin to see the development of economic freedom and accelerated economic growth, which in turn, provided the impetus for the rise of a rational and secular Chinese entrepreneur; the foundations had thus at last been set for the rise of a liberal philosophy within China's rising entrepreneurial class. The growth of an interest-based platform was a unique

development in that the response was not to nationally established political institutions of privilege, coercion and corruption, for there was no one entity governing China; instead, it was a response to the lawless state of provincialism and militarism, and governed by warlords, who regularly disrupted the economic environment and the lives of businessmen – particularly related to lucrative markets in Shanghai (Bergère, 1983, 777-778). As Bergère notes, a direct link existed between the effects of state predation on the bourgeoisie and the development of their political principles (1989, 219). As an entrepreneur noted in the North China Herald:

We have two governments claiming supreme authority over the entire country, but in every province...an independent government has been set up which is governing without law or reason. Taxes are being levied by all of the governments and by individual commanders without authorization from anybody representing the people...Civil wars have interfered with the means of communication and we are unable to bring our goods to markets where they are needed (NCH, 1921, p. 151)

State predation led to the development of an interest-based platform within the entrepreneurial class, and in turn, fostered class association and organization, based upon these interests, and with the objective of finding a political solution to a lack of legal institutionalization - albeit confined to specific areas. In 1907 the Qing Dynasty in fact first established the Chamber of Commerce - the pillar of business interests. Although the intention of the Qing authority was to establish this network of business organization in order to regulate this class' actions (a system of corporatism), the business class in fact used this organizational platform to its advantage: they transformed what was associational activity ultimately dependent on the state, to activity independent from the state and with the objective of furthering class interests – especially in areas such as Shanghai, Guangzhou and Hankou (Strand, 1989, 100). In fact during the 1911 Revolution and thereafter, the Chambers of Commerce in Shanghai increasingly supported the business class and the ambitions that stemmed from their growing political initiative. Furthermore, associations such as the Chinese Cotton Mill Owners' Association, the Association of Modern Bankers in Peking, and the National Bankers' Association formed in order to further the business class' interests. Thus, though this activity largely occurred in Shanghai, other cities such as Beijing also experienced the rise of associational activity related to the business

community (Strand, 1989, 16-17).

With the sprouting of a Chinese bourgeoisie – a rational and secular entrepreneurial class, the formation of its propertied-law interests, and associational activity centered on liberal political initiatives - a further development commenced: the assimilation of the traditional ranks of officialdom (the Chinese counterpart to the landed elite in the West) into the ranks of the rising bourgeoisie. Thus, they slowly infiltrated those organizations which had been predominately composed of social actors affiliated with the *ancien regime*; former gentry were either run out or assimilated into the bourgeois life. The forces of economy had broken down the bureaucratic class and encouraged the rise of the bourgeoisie as the new dominant social grouping realizing the increasing assimilation of previous elite social forces. Instead of stunting their growth as a class, while filtering through the bureaucracy and into the ruling class (as characteristic of dynastic China), they had become independent, organized and prosperous as a result of economic growth, individual initiative and the decline of the arbitrary state (Bergère, 1989, 138-140). By 1920 the old regime bourgeoisie, new business groupings and the bourgeoisie all combined to form a newfound bourgeois coalition; but they remained confined and isolate in areas such as Shanghai, and still with no overarching political organization to ensure stability.

The following speech by a representative of China's rising bourgeoisie in 1921 in the North China Herald exemplifies the existence and liberal maturation of this class:

Faced with a situation such as this [state predation, disrupting property and business], it is now the time for the merchants to renounce a time-worn tradition of not participating in politics. It is our task now to proceed immediately to participate in the affairs of state...we deserve and shall have an efficient and democratic government. Our difficulty lies in the fact that the middle class of China, the merchants, bankers, educators and industrialists, have not participated in the government...if we insist upon our rights as free men and as taxpayers, politics will soon enough become clean...Are we slaves and traitors? I say no! The merchants of China will save this country (NCH, 1921, p. 151)

He then continued by stating:

As citizens of the state it is our duty to participate in government. To fail to participate means to renounce our citizenship. As citizens of the state we must support our government when it is efficient and upright and we must criticize our government when it is inefficient and treacherous. In supporting or criticizing we are performing a political act...politics means the exercising of one's rights as a citizen of his country. That is the first duty of every citizen of a republic...In no man can we have faith. No man can be the saviour of China. The people of China themselves must save the country. And we representing property, learning, position, must take the lead in indicating to the people the path. If we fail there is no hope for China. For who shall dare to lead when we have failed? (NCH, 1921, p. 151)

By the early 1920s, a Chinese bourgeoisie had emerged – in particular in the growing metropolis of Shanghai. They came to represent the product of decades of socioeconomic transformation, from the advent of economic freedom and the rise of Chinese industry, to the emphasis on private property and legal institutionalization as a result of state predation, and ultimately the embodiment of a liberal philosophy: the push for representation of their interests, opposed to the privileges of the political elite, and the desire for constitutional governance to check the arbitrary actions of the state. And a distinct public opinion voiced these principles (Bergère, 1989; 2010). But as a result of warlord governance, bourgeois society remained isolated and with very little potential for expansion. As a newspaper noted in 1919 - peasants turned to banditry in the rural areas and entrepreneurs were unable to extend their liberal society, including organization and community, outside these localities (NCH, 1919a, 5). Thus, the Chinese bourgeoisie that had emerged, particularly in Shanghai, were more in the throws of a localized political campaign than any realistic national campaign effective in achieving its goals of political transformation. China's political institutions, or lack thereof, once again come to the fore: 'If China had a government whose word was indeed law throughout the country...practically all her troubles would disappear; only to ask for it seems like crying for the moon' (NCH, 1919e, 784).

Tragically for the bourgeoisie, this period was a very brief one in the liberal history of China: out of desperation the bourgeoisie would ally with the KMT, and the KMT would emerge as China's temporary political authority and with its bourgeois-



repressive tendencies. To understand the support for the KMT, especially by the bourgeoisie, as a result of China's longstanding cultural impulse to support the authoritarian state is to miss entirely the structural developments that had evolved by the 1920s. Social elements had emerged that came to represent the heart of a bourgeoisie – a class for itself, based upon liberal political principles. To be sure, they had no reservations in contending with imperious authorities at the time; but they also understood the necessity of a coherent and expansive political system, not to serve its own purposes, but to serve the interests of the people, such as in supporting economic systems and maintaining a stable and peaceful society (Strand, 1989, 284-285). Chinese society had been plagued for years by unstable national political authority and unchecked foreign intervention – thus to some degree, the rationale behind emphasis on a strong state. Thus, the foreign influences, which in many ways became associated with interventionism and imperialism, were also a factor in the course of China's illiberal development (Lin Chun, 2006, 206).

The bourgeoisie's alignment with the KMT was a desperate attempt to restore China's socio-economic and political order in general, and in particular, to establish those interests fundamental to bourgeois sociology: interest representation and property protected under the constitutional rule of law – something they hoped the KMT could provide. Although Chiang Kai-shek - whose conservative wing broke from the left-wing Wuhan faction - was initially an ideal representative for the Shanghai capitalists, his arbitrary actions at extracting money from the capitalists soon came to fruition. As Coble notes, the example of one of the wealthiest Shanghai businessmen is representative of the terror imposed on the emerging bourgeoisie. When Fu Tsung-yao realized the increasingly exploitative nature of the KMT regime, and subsequently refused to hand over more funds, his private property was taken from him and he was forced to flee Shanghai. Fu Tsung-yao was only one of a number of capitalists who experienced similar arbitrary acts of intervention and confiscation by the KMT (Coble, 1979).

To exacerbate the situation, the KMT's alliance with underground gangs increased the amount of arbitrary fines, extractions and taxation placed on the bourgeoisie. In fact, as the relationship between the KMT and the Green Gang (particularly Du Yuesheng, head of the Green Gang) evolved, created from the lucrative monopolization of the

opium trade, the Green Gang's power increased exponentially, and the height of this activity enjoyed power equal to or greater than the KMT. For the bourgeoisie, this also meant the gang's complete control over the business world (Bergère, 213-241). Although the bourgeoisie had garnered considerable economic strength, and through this strength organized and formed a cohesive liberal ideology, they – as a result of aforementioned factors - were unable to wield similar political power. Nonetheless, they voiced their concerns and interests as a class: the need for the protection of private property, through the constitutional rule of law and democratic process. Under the leadership of the Finance Minister - T.V. Soong - the bourgeoisie had become politically active and conscious as a class, making interests known and refusing to concede to an autocratic leadership (Coble, 1979).

The bourgeoisie attempted every angle and avenue in an effort to establish a national government that would reflect the constitutional rule of law and democratic process, but they were repeatedly met with failure. The choices that prevailed seemed to be either the continuation of a politically vacuous environment or a nation governed by an authoritarian regime (Strand, 1989, 284-287). They attempted to utilize their financial power, and the insolvent state of the central government, to broker a deal that supplied the state with necessary funds in return for political reforms. When that failed, they attempted to convene a National Convention, initiated by the Federation of the Chambers of Commerce, to devise a national constitution and establish a national political authority; lasting no more than two months in Peking before falling victim to a coup, the bourgeoisie resorted to what proved to represent a final state of desperation: a move towards secession from China altogether along with the General Chamber of Commerce (Bergère, 1989). But in the end, they were effectively left with two options: localized provincial politics, or, support for authoritarian regimes such as the KMT and CCP.

The absence of a state apparatus following the 1911 revolution was of profound consequence for the bourgeoisie and their efforts to assimilate other elite groups into their ideological framework: without the state, cleavage, instead of consensus, emerged and prevailed in the Republican years (Bergère, 1989). Thus the bourgeoisie's support for the KMT was out of desperation to restore stability and order, hoping that what followed might blossom into the democratic order they had

come to know and articulate. The KMT never fulfilled the role that the bourgeoisie envisioned when it consigned its support to this revolutionary party. The primary reasons stem from the failure on the part of the KMT to advance China's social and economic status - to industrialize the economy and transform the social bases of society, as well as its desire to endow China with bureaucratic capitalism (Bergère, 2009, 177-212). China used peasant power instead of industrial power to fight its wars and produce off the land; this systemic backwardness in China resulted from the continuation of an agrarian elite which was not fundamentally different than the gentry under the Qing or the warlords. Thus KMT policy and activity remained antithetical to the emergence of a modern socio-economic and political system, as traditional elites remained in control of China's interior (Moore, 1966; Skocpol, 1979).

The economic vitality of Shanghai between 1917 and 1927 created the conditions for the evolution of the emerging entrepreneurial class into an identifiable bourgeois culture of public debate, opinions, and liberal mentalities (Bergère, 2009, 242-284). In reference to Habermas' 'world of letters' (1989), and, Jeffersonian discourse on the importance of literature and the written word in disseminating public opinion and enlightening and educating individuals away from traditional precepts (Cappon, 1959, 391, 458; Appleby and Ball, 1999, 235), in similar fashion Shanghai of the 1920s and 1930s used the printing press, and other means such as libraries, to disperse the newfound precepts of modernity that were increasingly transforming this great metropolis. Akin to the historical model of modernization, the Chinese entrepreneur spearheaded these transformations and fueled them in correlation with their continued growth. Indeed, they were in preparation of garnering an ability to shift power from state to society. But the political conditions remained in a state that obstructed the campaign for extension of bourgeois society outside of the isolated liberal enclaves. With the CCP's rise to power in 1937, any remaining hope of a successful bourgeois transition would soon diminish.

## 4.2 The Russian Bourgeoisie in Transition

### *The Weight of Autocracy in Late Tsarist Russia*

The strength of Russian autocracy commanded the forces of economy and sociology, preventing economic freedom and forcing sociological dependence. As Skocpol notes, Russia remained an agrarian economy past the point when the western nations had not only industrialized but had also begun implementing democratic process: in the mid 19<sup>th</sup> century less than 10% of the Russian population lived in the urban areas. Furthermore, the state forced the landed elite into dependence, whether through enforcing the system of serfdom or preventing the presence of representative bodies, such as existed in the West, where these forces were able to organize independent of the state (Skocpol, 1979, 82-88). As Robinson notes,

Through the destruction of a considerable part of the old nobility, the extension of the royal land grants to new retainers, and the establishment of a State-service obligation for the nobles, a compromise of interests was effected, and upon this basis there was gradually built up a political and military organization powerful enough to control, by force, both the land and the labor of the country. The development of this organization is often described as the growth of autocracy – of the power of one over all (1932, 15)

Entrepreneurial activity was also suppressed as entrepreneurs were forced to buy certificates from the state in order to engage in economic activity (Owen, 1981, ch. 1). Thus instead of the growth of a bourgeois society and social revolution founded on liberal political principles, by the 20<sup>th</sup> century and under the rule of Alexander, Russia's social actors had returned to a conservative ideology of devotion to and support of the autocratic state (Lincoln, 1990, 7-14).

The installation of Imperial Russia commenced under Peter the Great in 1682. Under his authority, Russia established one of the most impressive autocracies at the time – comprehensive in bureaucratic reach and military power. Power became consolidated in the hands of the tsar opposed to the diffusion of power characterized under western feudal organization. As noted in the case of China, this pattern in the eastern transitions were decisive in stalling economic development and diverting the

sociological outcome. The exceptional strength of the Russian state established under Peter the Great would come to dictate the course of Russia's attempts to modernize: the economic consequence was the maintenance of an agrarian economy and its sociological attachment in the peasantry (Skocpol, 1979, 82); and where industry and markets existed, they did so under the umbrella of the paternalistic model of authority, which perpetuated a conservative sociology in the nobility and the peasantry, and which ultimately forced all social elements into dependency on the tsar (Rimlinger, 1960, 70-72, 76).

The strength of the Russian state machinery was a decisive factor in Russia's failed bourgeois development, most notably, in its ability to prevent economic freedom, and the subsequent growth of markets and industrialization that follows – and with social and political consequences for the growth of the constitutional rule of law and democratic process. Thus, the strength of autocratic political institutions once again comes to the fore in the course of economic and sociological development – but more explicitly as Russia wielded even more power than the Chinese political machinery. In the economic sphere, the state retained control over industrial and commercial activity; and instead an agrarian economy and society remained in place (Owen, 1981, ch. 1). The continuation of feudal arrangements created a situation where the majority of Russia's population worked and lived off of the land: 'her agrarian economy was and remained relatively backward overall...as for the socioeconomic basis upon which the Imperial state was built and maintained...Russia remained a serf-based agrarian society (Skocpol, 1979, 82). This prevented large-scale urbanization and the growth of towns; and where towns did exist, they reflected the firm hand of government rather than free markets and commercial activity (West, 1975, 13). As a result, 'revolutionary ideas from the town' were largely absent (Moore, 1966, 456).

In addition to the state's control over economic freedom and development, the state diverted the course of sociological development and its pursuit of wealth and elevation through the political institutions (West, 1975, 87-88). This resulted from the fact that the autocracy provided the predominant opportunities at the time: in Russia it existed through the state, not through a sphere of economic freedom and market opportunity. Merchants who wished to continue their manufacturing or trading endeavors were required to buy certificates from the state, or otherwise cease their

business activity; this resulted in merchants resorting to bureaucratic lines of growth, instead of pursuing independent market development, which filtered them away from entrepreneurial activity and into the class of agrarian elites. This, as in China, led to a low level of industrial activity, and thus subsequently, to a limited bourgeois society. Since in effect property had to be obtained through the state, legal protection of property was also secured through the state. Thus by the 20<sup>th</sup> century, Russia had failed to produce a formidable urban class where a bourgeois society could develop; instead, any bourgeois elements remained dependent upon and supportive of a highly regulatory and intrusive state (Owen, 1981, ch. 1).

Furthermore, Russia's sociology took on a xenophobic hue, which sidetracked an otherwise liberal path of development. Russia had failed to develop a formidable urban environment with a substantial merchant community capable of furthering industry between village and town; instead, Russian trade moved beyond state lines, creating a comprador merchant, who connected western trade with domestic trade, similar to that of China (Trotsky, 1932, ch. 1). International influences, revolving around tariff, transportation, market activity and raw materials, created a merchant community strongly supportive of the autocratic state. In China, western territorial issues and warlord alliances created nationalist sparks; in Russia it was an issue of western competition (Owen, 1981, 207). As Lincoln notes, while Russia was still a traditional imperial bureaucracy, western Europe, which was developing into a modern industrial nation, seized on the opportunity to invest in Russia. For example, in the 17<sup>th</sup> century the Dutch invested in arms manufacturing in Russia, only to ship the successful product back to Holland and leave the inferior product for Russia. Thus, Russia's bourgeois elements developed a certain level of antagonism towards the west (Lincoln, 1990, 4-5).

The negative outlook on the western world created an internal environment hostile to western ideas and instead supportive of nationalistic growth. Western presence in Russia and China produced varying effects: in China its initial influence created the rise of a bourgeois business class in the coastal areas, although first representing a comprador bourgeoisie before evolving into a national liberal bourgeoisie; in Russia, a similar comprador bourgeoisie was formed, but in comparison to China, the formidability of the liberal faction was weak. At any rate, western presence facilitated

a similar outcome: its influence and presence created the impetus for nationalistic fervor, which coincided with support for a strong state and the eventual rise of the communist party (Bergère, 1989; Trotsky, 1932). As Richard Pipes notes, the Great Reforms introduced around 1860 sought to transform Russia from its traditional systems to a system of modernity; and what evolved was a nationalistic attitude similar to Chinese development in the 20<sup>th</sup> century, where modernization was sought in the context of anti-westernism and imperialism, and thus emphasis was placed on the autocratic state (Pipes, 1972). Thus, for Russia's entrepreneurial class, in light of western imperialist factors, the lack of native economic growth and the strength of the state, it remained dependent and in support of the tsar in hopes that it would provide the strength and development that Russia needed (Owen, 1981).

When opportunities did exist in Russia, for example, when the cotton markets in Britain took form in Russia in commercial and manufacturing activity, specifically through the importation of thread, the clothing industry which ensued in Russia was capitalized on by the agrarian actors, most notably the peasantry (West, 1975, 33-34). There was little inclination on the part of the agrarian elite, or the townsmen for that matter, to exercise rationality in capitalizing on opportunity in the demands of rising markets. As a result of the autocracy's pervasive control, market demands were limited; and where markets did exist, there seemed to be a certain disconnect between market opportunity and engagement from the nobility and urban elites. Once again, Russia's organizational paradigm was one of nobility squeezing peasantry, which was further reinforced by the autocracy. Thus, by the close of the 19<sup>th</sup> century, we see the inability of potential bourgeois elements – that of the nobility, gentry and urban entrepreneurs – to exude a rational nature of adopting new methods of production and capitalizing on the demands of markets when they were presented (Robinson, 1936, 129-138). The economic and political conditions – that of an agrarian society supported by a veritable autocracy - had dictated a conservative and dependent nobility and entrepreneur, over the growth of a bourgeois society. As Moore notes, this economic variable – economic freedom and production for markets and profit or production for consumption – has proven decisive in determining the sociological and political outcome. In historical transitions, when nobility and gentry engaged in market opportunities, peasants were eliminated and conservative elite were transformed into bourgeois elements. On the other hand, in the eastern

transitions including Russia, intensifying agrarian production and squeezing the peasantry prevented transformation of the agrarian elite and maintained the social origins of communism – the peasantry (Moore, 1966, 459-460).

As a consequence of Russia's limited economic development and continued autocratic institutions, the sociological outcome remained conservative: peasantry, nobility and proletariat remained strong, while the bourgeoisie remained weak and un-influential. The consequence of the continuation of the agrarian social actors, especially in the context of limited economic reforms amidst a strong absolutist state, is an agrarian elite incapable of independence from the political institutions. As indicated in the cases of England and France, the nobility, in engaging production in response to market demands, gravitated away from the state - not into it (Moore, 1966). In Russia, the peasantry, nobility and the tsar retained privileged connections that equated to access to resources, legal exemption and protection, which in the context of absent economic freedom, in effect, suppressed and diverted the rise of a business class (West, 1975, 31-32).

Notwithstanding the sociological structure in favor of conservative elements, an independent entrepreneurial class, which has been identified as embodying bourgeois characteristics, began to emerge as a marginal appendage of the conservative sociological structure (West, 1975, 26-35):

Perhaps the most original aspect of the growth of the entrepreneurial stratum in Russia lies not in its belated, feeble, or incomplete development, but rather in the unique origins and particular evolution of the most indigenous of its elements, the Moscow Kupechestvo. This most successful of Russian entrepreneurial groups might well be viewed as a "core bourgeoisie" by virtue of its genesis, longevity and influence. Evolving from indigenous native roots in a society dominated by foreign managerial talent, achieving prosperity, autonomy and stability in a backward and uncertain state-centered economy, and cultivating a wide breath in a society distinguished by ignorance and provincialness, the business establishment of Moscow ultimately produced some of the most truly independent men ever to live in Russia...with hesitation and at the eleventh hour, from this unique milieu emerged a nucleus of political leadership which aspired to nothing less than the construction of modern industrial-bourgeois order on the foundations bequeathed by an aging autocracy (West, 1975, 26-27)



Thus, by the end of the 19<sup>th</sup> century, there emerged signs of an entrepreneurial class, where hopes of a triumphant liberalism became evident with the onset of reforms in the municipal dumas - Russia's legislative body. Although the restructuring was designed to strengthen the emerging entrepreneurs, the dumas in fact became highly regulated by the state, resulting in state intrusion into the dumas financial capital and legislative decision-making; the result was an increasing resentment among the merchant community, as well as the rise of a young merchant demographic more apt to oppose state interference. In addition, the state revisited its earlier interference in labor laws, which as in the past, agitated the merchants; this time the merchants became more articulate and vocal in their acknowledgement of government legislation on labor as infringements into the private sphere of business and market relations. They were increasingly recognizing the importance of the constitutional rule of law on governmental action, as well as a system of representation to voice their interests (Owen, 1981, 166).

Rapid industrialization in Russia at the close of the 19<sup>th</sup> century created not only a high concentration of workers in factories, but forced them to create an unstable environment for the Russian industrialists. Once again, the economic growth that did occur only existed in dependence and under the control of the autocracy, preventing the economic freedom and the sociological outcome in an independent entrepreneurial class (Rimlinger, 19). The issues surrounding the labor laws, specifically the government's legislation of protective law for workers, created the impetus behind the merchant evolution from its passive state to what can be identified as the rise of bourgeois elements. By 1905, Russia could claim the presence of a united business class, conscious of their interests and evolving political principles: that of individual liberty, the constitutional rule of law, and representation (Owen, 1981, ch. 5-6). As West notes, a new business grouping emerged – coined the “Young Industrialists” (West, 1975, 101): ‘These industrialists, the “young group” as they were patronizingly dubbed by their older colleagues, were united by a common heritage and a common desire for constructive change. Together, they channeled their energies into a new form of “business activism” which was to transform the staid business world of Moscow’ (ibid, 105).

Nonetheless, the proportion of liberal entrepreneurial elements within the sociological structure remained limited. In the end, all social elements remained in great dependence on the state (West, 1975). The dependence on the political superstructure was in fact so veritable that it transcended the degree of the Chinese landed elite's dependence on the Imperial institutions (Skocpol, 1979, 82-90). An important characteristic thus emerges: the emergence of economic freedom and private property, which in the west provided the impetus for contention with the monarch and associating institutions in order to protect the economic sphere and the individual acquisition of property, in Russia led to a system where social accommodation to, and dependence on the tsar and autocracy, prevailed (West, 1975, 81-82). Thus, although business groupings emerged with interests and with a desire to make these interests their object, they were pursued with accommodation towards the Tsar, not contention; various business grouping battled each other for privilege within the prevailing system, opposed to uniting around common interests and liberal political principles against the autocracy. Once again, the foundation for this sociological structure and political rigidity rested in the preindustrial, agrarian, nature of the economic and social organism (ibid, 82-85). The autocracy's inability to ensure economic freedom and social stability at the turn of the 20<sup>th</sup> century would infuse new life in Russia's entrepreneurial class:

When it became clear, as it did in the first years of the twentieth century, that the government might not be able to guarantee wither of these conditions [economic and social], the traditional attitude of the commercial-industrial stratum toward larger political questions would have to be hastily revised. When this happened, the business class would find itself woefully ill-equipped to cope with rapidly changing realities of a society in revolution (West, 1975, 88-89)

Thus, as in the case of China, Russian revolution would occur under the backdrop of an underdeveloped economy and bourgeois sociological structure, which in turn would produce very different political consequences than those of the western transitions.

### *A Divided Bourgeoisie in Revolution*

The revolutionary experience in Russia failed to manifest the social and political characteristics of that of the western liberal revolutions. Instead of force coming from a strong and cohesive social group, the social actors surrounding change were divided amongst each other, and thus weakness and conflict, instead of strength and unity ultimately prevailed (Hosking, 1973). The environment that emerged proved politically problematic for Russia's bourgeois class, due to aforementioned factors. As a consequence, what emerged was a formidable revolutionary movement premised on support for an emancipated proletariat, which included the enslaved peasantry and even workers in the factories – not a bourgeoisie following the elimination of the peasantry and the fusion of the agrarian elite. They worked towards creating a constitution, as well as granting of individual freedoms (West, 1975, ch. 1); and at times they united around common economic and political interests, articulate and vocal in their struggle to transform the socio-political order in Russia (Owen, 1981, 204-205). But similar to the unfolding of events in the case of China, as the revolutionary mist cleared the Russian bourgeois elements that emerged victorious were more in tune with a conservative platform than any real liberal representation. Similar to the agrarian elite, the bourgeois entrepreneurial elements also benefitted from privileges granted by the autocracy; considering the social and political climate at the time, many leaned more heavily on these favors than they actively promoted the transformation of the economy and polity (Robinson, 1932, 147). The social and economic conditions had thus dictated a very different political outcome.

For one, the October Manifesto, although a step in the right direction, failed to address the issue of autocracy, although many bourgeoisie believed that the 'tsar constitution' had been terminated; instead arbitrary rule by men continued, instead of the constitutional rule of law (Zimmerman, 1972). Centuries of undying subservience to the Russian tsar would continue to be evident, as the emerging Russian bourgeoisie would oppose high powered officials, while rarely extending the same opposition to the tsar (West, 1979, 86). Moreover, as already eluded to, a substantial amount of factionalism emerged inside the bourgeois community, specifically explicit in the emergence of varying party organization (Owen, 1981, ch. 7). The result was the

emergence of a majority conservative party, where decisions made regarding constitutional democratic progress would prove fatal for the bourgeoisie and their campaign for a constitutional and democratic Russia.

Similar to the factors underlying China's problematic 1911 Revolution and post-revolutionary environment, Russia's revolutionary experience was mired in conservatism, not liberalism, as a result of an underdeveloped economy and the autocratic state. Certainly Owen contends that in the case of Russia, it wasn't the presence of a numerically small bourgeoisie, but more emphatically, the continued support of the autocratic state by the conservative majority that revealed the point of failure for the bourgeois class (1981, 204-205). This can be explained by the failure of the commercial-industrial interests to assimilate the conservative agrarian and urban actors into their political framework, which vehemently opposed excesses in government structure and power. The liberal bourgeoisie that did emerge in Russia began to take shape at the beginning of the 20<sup>th</sup> century and assimilated a certain amount of recruits into their class framework. The leaders of this liberal bourgeois faction emerged from the third generation of Russia's entrepreneurial families, who being young and much more educated, embraced the liberal framework as they continued to industrialize Russia – with such developments as automobile, shipping industries and cotton industries (West, 1975, 101-108).

The Russian entrepreneurs remained more or less in a state of satisfied illusion under the umbrella of the autocracy until 1905, when, it realized that not only was the state incapable of maintaining social order and economic prosperity, but most importantly, that the previous arrangements had in fact inhibited the entrepreneurial class and had placed them inferior to the agrarian elite. Thus on the eve of revolution the entrepreneurs were scrambling for class unification around different political principles. The outcome was a sphere of merchant factions and contentious interactions – only to become more frictional from 1905 onwards (West, 1975, 117-121). Thus, the divisions that developed inside the bourgeois circles, as well as social forces outside the business community, created serious obstacles to the emergence of a truly liberal bourgeoisie - seen most evidently in the rise of a conservative majority. As Owen notes,

If the tragedy of the Russian bourgeoisie between 1905 and 1917 lay in its political immaturity in dealing with the tsarist government and in the fatal division between a strong conservative tendency and a weak liberal one, the pattern of eventual disaster was clear at the very beginning of the new era (1981, 195)

Outside the business circles, the landowning class as well as other conservative classes contributed to the rise of conservatism and suppression of liberalism – once again noting the importance of transforming the socio-economic landscape in the course of development, which failed in the Russian experience (Rosenberg, 1972). Following the first duma, continued progress towards constitutionalism was checked by those social actors whose interests were being threatened – the agrarian elite and state officials. Specifically there emerged conservative parties, such as monarchist parties unswervingly supportive of the autocrat, and the conservative Octobrist party, which also became increasingly aligned with the continuation of the autocracy. Widespread support for the continuation of the autocracy, not only among the conservative parties, but even liberal ones such as the Kadet Party, were supported in light of the individual freedoms and rights created under the umbrella of the autocrat (Hosking, 1973, ch. 2).

Thus there emerged factions inside the business community - the Octobrist and the Commercial-Industrial conservative parties and the Kadet and Moderate Progressive liberal parties (Owen, 1981, 194-197) - which created further obstacles to bourgeois democratic growth. In the so-called liberal Kadet Party there emerged signs of serious weakness and immaturity in articulating class interests, organizing around a united and formidable presence and making demands on the autocratic state system. The Kadet Party, the largest business presence inside the Duma, catered to the autocracy instead of opposing its unjust rule, acting within their 'legal' allowance (Rosenberg, 1972). Most damaging, though, to the emergence of a strong and cohesive liberal bourgeois force capable of overthrowing the autocracy and establishing institutions which provide popular franchise, individual rights and freedoms and the rule of law, was the Kadet failure to unite with the Moderate Progressive Party. The Moderate Progressive Party was comprised of the young bourgeoisie, who as mentioned above, were most representative of the western bourgeoisie; they were the most liberal in that they did not only represent economic interests, but also fought for political liberalism

– they sought to replace the autocrat and autocracy with the constitutional rule of law and democratic process, something the Kadet party was unwilling to do (West, 1975, ch. 3).

The labor problem, a phenomenon growing since 1883 and which climaxed on the eve of 1906, proved to be yet another decisive factor in the drive towards conservatism in the Russian liberals, which was a consequence of the lack of economic and subsequent sociological transformation. Thus, Russian's bourgeois elements were left with one of two options – push forward, in the path of a true bourgeoisie, in forcing political reform including removing the autocratic leadership and granting rights to the workers, or, support the autocracy in order to deal with the labor problem. The liberals decided on the latter, as they realized their weakness and lack of cohesion and organization could not allow them to pursue the path of the western bourgeoisie. Dependence on the Russian autocracy, in the midst of disorder in the factories and evident social divisions, was their best possible ally in promoting stability and securing their interests (West, 1975, 91-101, ch. 4; Owen, 1981, ch. 7). Consequently, the labor issue not only narrowed the gap between autocrat and liberal, but it also widened the gap between the liberal factions working to identify a liberal future for Russia.

Thus, conservative development only further eroded any remaining chances that the bourgeois elements possessed in transforming Russia's political organization. The Russian liberal party, although premised on the ideological foundation of the western bourgeoisie, was without a class-based revolutionary approach; instead, due to an inadequate base and failure to infiltrate and dominate parliamentary institutions (whereas the British bourgeoisie were successful in commanding parliamentary institutions), the liberal actors in Russia employed a national based approach (Rosenberg, 1972). Rosenberg notes this important difference: 'The Kadets consequently had to champion popular demands without incurring the hostility of those who exercised real power, upon whom they depended for the development of parliamentary institutions' (1972, 141). This outlook reflected their power and position in society – a relatively weak one, even at its highest point, where its dwindling base correlated with greater support of the traditional regime (Rosenberg, 1974). Thus, although the first duma was represented in large part by the Russian

bourgeoisie, by the third duma in 1907 the demographics shifted from a majority bourgeoisie to a minority presence – over a two-year period the autocrat had arbitrarily dissolved the dumas until the demographics were supportive of the regime (West, 1975). The conservative shift, removing majority power from the Kadets and placing the power in the hands of Guchkov and the Octobrists, would remain until the second revolution in 1917 (Trotsky, 1932, 206).

On the eve of the second revolution the situation for the bourgeoisie had remained economically and socially unfavorable; as one Russian official noted: [they are] so weak, so disunited and, to speak frankly, so mediocre, that their triumph would be as brief as it would be unstable' (Trotsky, 1932, 50). The workers, although sharing similar problems to that of the bourgeoisie, benefited from the continuation of the outdated agrarian environment. Though they demonstrated a substantial force, they could not succeed in revolution without the assistance of a secondary actor – of which arose the peasantry in the wake of the agricultural crises'. The social forces which emerged with considerable power were the peasantry, a class which supports socialist systems and the rise of the communist party, and the workers, which under the underdeveloped Russian economy also articulated a desire for socialist organization (Trotsky, 1932, ch. 5). Thus what transpired was the simmering of social unrest only to explode in worker-led revolution (Trotsky, 1932). By 1917 and on the eve of revolution, Russia's largest liberal party had achieved little success in effecting liberal political transformation.

To further complicate the situation, the revolution, spearheaded first by Russia's workers and second by Russia's peasantry, did not result in workers leadership; on the contrary, a petty bourgeoisie demographic emerged in leadership asking the bourgeoisie to assume power in transition (Trotsky, 1932, ch. 9). The irony of the Russian revolution was that 'dual power' emerged not as a result of class conflict, but rather as one class - the victorious class in the February revolution - voluntarily passing power into the hands of the bourgeoisie, of whom had no desire to assume power; as afraid of the government as the bourgeoisie were, their fear of the masses far outweighed governmental control. The Russian bourgeoisie, instead of assuming control with vigor and transforming society, transferred its power to the monarchy in hope of stability in monarchical authority. They found no comfort in swelling social

forces from below, nor in the conservatism of elite classes from above; their strategy was to use the monarchy to legitimize their leadership, a strategy which failed from the start (Rosenberg, 1974, 55-56). Thus what emerged was a 'dual power' situation represented by the bourgeois monarchical government (as the Russian monarchy had been dissolved (Trotsky, 284)) and the rising workers organization, instead of a dual power situation represented by the bourgeoisie on one side and the ruling class monarchy on the other. The consequence proved damaging to the Russian bourgeoisie – the drive for authority intensified the actions of anarchic forces, and the anarchic forces in turn intensified their desire for not only the semblance of authority, but the construction of an authoritarian regime (Van Laue, 1967).

The absence of a class-based approach in the actions of the liberal Kadet party is explained by their lack of strength in the overall sociological structure; in contrast to successful western bourgeoisie, they pursued a national-based approach in order to attempt to subdue the masses and buy time for the strengthening of bourgeois classes. The Kadet party had in fact emerged as the 'new monarch' in Russia – they acted to maintain their power and legitimacy in transition, without pushing forward with any real, and greatly needed, constitutional and political modernization (Rosenberg, 1974, ch. 3). The Kadet approach to unifying, strengthening and developing Russia only further disintegrated its initially weak base. Their policies continued the Kadet trend of stagnation as a class, while over time other bourgeois parties, as well as the workers (Petrograd Soviet) moved further away from a policy of stagnation to a policy of class consciousness, ideological articulation and political action (Rosenberg, 1974). The discourse surrounding the rising workers' organization was inspired by Marxist theory: in order for the dictatorship of the proletariat to emerge, there first needed to emerge a bourgeois revolution that would fail in due course. In Russia, the bourgeois revolution never formed; instead, the peasantry supportive of the bourgeoisie (Mensheviks and Social Revolutionaries) passed power onto the weak bourgeoisie in order to inhibit the rise of the workers' dictatorship. The inevitable result was the shift in support of workers and peasants from the Menshevik and Social Revolutionary Parties to the Bolshevik Party, which in October would shatter the 'dual power' environment and establish its authority as the 'dictatorship of the proletariat' (Trotsky, 1932, 16). As for the Russian bourgeoisie – their fate could be foreshadowed as early as 1906, and in the dissolution of the first duma, as Russia's



backward nature coupled with its only brief period of development, would prove too formidable for any bourgeois class to overcome.

## **Conclusion**

In examining the eastern transitions' developmental model, particularly the variables that caused the growth of a bourgeoisie in the west and ultimately democracy, the autocratic institutions and the power they wielded over the forces of economy and sociology immediately comes to the fore. Economic freedom was limited while agrarian based economic systems were further perpetuated, and in turn, the social foundation of the agrarian economy also persisted. Peasants were kept on the land and further exploited; and conservative elite relied on the state for resources and enforcement. Any independent growth of a new entrepreneurial class and their evolution into a bourgeoisie was halted; the state diverted their aspirations towards the political institutions – the only sphere where opportunity existed. As a consequence, the bourgeoisie that did exist in China and Russia in transition were limited. Instead of bourgeois revolutions and the rise of democratic institutions, peasants and workers, which supported the rise of communist parties, represented the social origins of the eastern revolutionary movements.

In the case of China, the state wielded absolute control over the forces of economy, which in turn stunted the growth of the sociology while diverting their progress through the state and subjecting them to its ideological framework. Dynastic China, especially by the time of the Ming Dynasty, represented a commercially advanced society with extensive trade networks and technological advancements that transcended western progress. But despite these inroads towards greater development, as a result of a number of factors, dynastic China remained limited in its ability to progress. Most emphatically underlying China's lack of economic growth and freedom was the ability of the autocratic state to capitalize on China's ecology which fostered overpopulation and the use of manpower over the development of mechanization and the use of technology for production. Furthermore, by the time of the Qing Dynasty, the alien-type ruling class became preoccupied with territorial

conquest in Inner Asia more than domestic progress in the context of outward economic and cultural exchange. Thus, as a result, rising entrepreneurs, in an effort to acquire status and wealth, were diverted through the bureaucracy instead of forging an independent path that produced the political consequence of democratization.

In China's 1911 Revolution and its aftermath, bourgeois actors had risen to the forefront of the socio-economic and political stage, yet new factors emerged, plaguing bourgeois attempts to consolidate liberal forces and establish democratic institutions. A politically vacuous environment, the emergence of dictatorship and warlordism, growing hatred for western influences and the rise of the KMT and an ideology which signaled the fall of the bourgeoisie, all resulted from failed socio-economic development in the early years of transition. Thus China's shining moment of liberalism between 1919 and 1923 could be only that – a temporary place in articulating the political future of China. Although the outcome proved unsuccessful for bourgeois forces, what it does reveal is that a true bourgeoisie *did* finally emerge in China. The emergent bourgeoisie in Republican China were absent of native historical bourgeois models, where failed events could be learned from and successful events capitalized upon, and thus their road to power was much more difficult. Although they were doomed to fail in early 20<sup>th</sup> century development, the bourgeoisie emerging in 21<sup>st</sup> century China have the opportunity to learn where their predecessors had failed and have been granted the opportunity to complete the course of democratic modernization.

In Russia, the failure to create native economic systems, economic freedom and economic growth, that then forged ties between rural and urban agents, and ultimately removed traditional sociology, proved disastrous for the Russian bourgeoisie. The state certainly demonstrated the most profound influence on this alternate course of development: without adequate urban development there remained massive peasant and worker forces whose parochial nature was bound to surface at some point in the process of transition. The minority bourgeoisie, similar to the Chinese bourgeoisie, were doomed from the start as their development in organization and ideological articulation could only reach nominal levels in comparison to the large numbers of opposing social forces. Although there emerged a Russian bourgeoisie in power inside Russia's newly established legislative organ, their desire to form alliances with

the autocracy demonstrated their fear of the worker-peasant forces from below – a fear which proved justifiable as Bolshevik forces rose to power. In the end, their ultimate dependence on the autocratic state can be traced back to the failure to first and foremost cultivate the growth of markets and economic freedom.

## **5. China's Private Entrepreneurial Class: 1949-1989**

### **Introduction**

This chapter seeks to assess the fate of bourgeois society in the eras of Mao Zedong (1949-1976) and Deng Xiaoping (specifically 1978-1989). In particular, this chapter seeks to answer the question: 'Why did the PRC first crush the business class and then purposefully re-invent it and with what kinds of social and political consequences?' The first section analyzes the Maoist era, beginning with the first eight-year period – a period of relative success for the communist party, but also which experienced the rise of anti-bourgeois campaigns. The second part under the Maoist era analyzes the origins of the Great Proletarian Cultural Revolution (GPCR), beginning with the Great Leap Forward (GLF). The GLF is important in that it signified a departure in the Chinese leadership from a unified to an increasingly divided body – primarily arising from a difference of opinion on what caused the GLF to fail so miserably. Liu and Deng represented the pragmatic faction which wanted to revitalize the economy even if this meant having some market elements; Mao and other top officials, on the other hand, represented a radical view that would not tolerate the growing revisionist elements inside the party. The events that unfolded demonstrated Mao's keen ability to build a majority faction against the pragmatists, and unleash the GPCR in an attempt to deal the final blow to remaining elements of the bourgeois society inherited from pre-revolutionary times.

The second section shifts the analysis to the reform era. The Deng Xiaoping era, specifically the first eleven years of reform, took a fundamental turn from the Maoist years. The first section deals with the nature of China's socio-economic systems up to the 1989 Tiananmen crisis. In this time, socialist utopian ideals that existed under Mao were eliminated and capitalist systems were promoted. Markets were encouraged, state owned and managed enterprises were slowly dissolved, and private property became increasingly realized for the first time in nearly thirty years. The result was unprecedented in the history of the PRC, and in the history of China for that matter: the economy grew, and subsequently social groups emerged, such as the

middle class, *while* the state slowly devolved power to society. The outcome of these developments and subsequent changing relationships created a flurry of liberal discourse that eventually emerged in the form of conscious activity in the spring of 1989. The Tiananmen crisis reflected the growing social and political consequences of economic reform. To be sure, the first stage of the reform period, until 1992, represented a more cautious economic approach as intra-party battles ensued between hardliners and reformers. Nevertheless, with the victory of Deng Xiaoping and the reforming faction over the hardliners, and with Deng's move to accelerate economic reforms in the early 90s, the social and political conditions were set to become even more politically consequential for the CCP.

## **5.1 The Liquidation of the Chinese Bourgeoisie, 1949-1976**

### *The First Eight-Year Period and the Withering of Bourgeois Society*

The state of the economy on the eve of 1949 remained underdeveloped, and as a consequence, the rise of the communist party experienced little resistance from the Chinese bourgeoisie. Prior to the Sino-Japanese War, China's economic system was one dominated not by industry but rather by agricultural production; and moreover, traditional processes facilitated agricultural production rather than technological advancements. As indicated in the previous chapter, the industrial progress that was evident in the second and third decades did not expand on a national scale, and thus did not - as transpired in the west - transform ideology and social actors. Similarly, in the 30's and 40's modern industry remained limited and stagnant, and therefore, the previous coastal-rural developmental environment changed very little (Lardy, 1987). Thus, the communist takeover in 1949 would finally transform China's socio-economic systems, but with socialist ideals in mind.

The eight-year period from 1949-1957 witnessed a party that, in spite of existing factions, remained fairly cohesive. The consensus on following the Soviet Model, as well as emphasis on unity and refrain from internal party conflict, provided the party with relative stability until 1958. Mao's anti-imperialism and anti-bourgeois nature

were in part related to the failed growth in China between 1911 and 1949; China still experienced a backwards economy and thus Mao was insistent on pursuing the Soviet model which had already demonstrated success in developing its backwards economy and building a socialist state (Teiwes, 1987, 65-66). A primary and preliminary task before achieving its socialist state was rural and urban reform; from 1949 on, the party attempted to merge China's social actors (peasants, workers and bourgeoisie) into one cohesive unit and nationalize its authority over them – in response to failed attempts by multiple regimes following 1911 – and it would use mass organization and mobilization to achieve these goals (Teiwes, 1987).

Campaigns in the rural sector were the first item on the agenda for the party. This was an important first task for the party – since overall the party was still considered unknown to the majority of China's rural areas and peasant actors – in order to secure its primary social base, and as a result of its successful agrarian revolutionary experience (Teiwes, 1987, 83-84). Although initially designed to act in peaceful accordance with reform laws, its lack of success created the rise of rural mass campaigns designed to eradicate landlords - a class which had successfully commanded the subordination of the peasantry - in order to redistribute resources and shift peasant support away from the feudal actors and towards the rising leadership.

The party first targeted the international bourgeoisie - the foreign capitalists, and feudal agents. This tactic as well as the overall rectification campaign and revolution, founded upon Chinese communism and Mao Zedong Thought, were influenced by Soviet-led communism and proletarian revolution. As Stalin noted in 1927 in a speech, 'the first stage...of the revolution was leveled chiefly at foreign imperialism, the distinguishing mark of the second stage is that the revolution's spearhead is aimed mainly at internal enemies, primarily at feudal landlords and the feudal regime' (Encausse, and Schram, 1969, 230). This is precisely what Mao articulated in his writings: the revolution would seek to oppose foreign capitalism and feudal agents (Mao 1969, 417-418; Mao, 1954, 13-20; Mao, 1951). Thus, his vision first centered on class struggle between first the workers and the international-feudal bourgeoisie before moving into the phase of class struggle between the workers and the capitalist bourgeoisie. As a result, in 1949 the party targeted the KMT, who Mao believed represented the feudal ruling classes, as well as the landed elite, all of which had been

in collusion with imperialist forces. As Mao stated, they are ‘the vassals of the international bourgeoisie, depending upon imperialism for their existence and development’ (Mao, 1954, 13-14; Mao, 1951, 8). China’s capitalist class represented the second class contradiction within the socialist state, and thus became the second target in Mao’s campaign to purify society. This philosophy was designed to incrementally suppress the town-dwelling, urban bourgeoisie: to first use them to the party’s advantage, followed by their suppression through mass campaign, and finally their complete liquidation in order to succeed in socialist reconstruction (Mao, 1969; Mao, 1951, 6-8; Mao, 1952, 11; Mao, 1954, 14, 20). The urban campaign that created the spark for the fire that would slowly engulf the entrepreneurial class was the *Wu-fan* (Five-Anti) Campaign - designed to control and eliminate the national bourgeoisie (Gardner, 1969).

Although from the start Mao exhibited political antagonism towards the bourgeoisie, indicated in his writings (1969), the party refrained from targeting the capitalists from the outset of its rise to power. In fact, powerful leaders in the party made public announcements that signified a party tolerant of capitalist property and business. As Liu Shaoqi, to be identified in the GPCR as the number 1 capitalist roader, notes in 1950, ‘The people’s government has not at present forbidden private persons to set up any enterprises which are beneficial to the people and do not exercise a dominant influence over the people’s livelihood...The people’s government will give the necessary facilities and direction to those entrepreneurs who are honest...and will help them...to succeed in their enterprises’ (Liu Shao-ch’i, 1969, 202-203). In the initial stages of consolidating communist forces it was important for the party to prioritize its agenda for consolidating its own power and planning the future of China (Mao, 1977, 33-36); and as Liu made clear, in the interim period this would include the entrepreneurs (1969). Nonetheless, the party would, over time, suppress and subordinate the following three social elements: those associated with capital and property, those associated with western education and values (including professionals), and finally, the intellectual community (Whyte, 1991). This approach followed an incremental process, a process that would consolidate its social base and eventually install socialism.

The first stage in the communist party’s road to socialism was designed to eliminate

the feudal and imperialist forces; this, Mao believed, would help win over the rest of the peasantry and form an overwhelming supportive base of peasants and workers (Mao, 1977, 33-36). Liu Shaoqi also acknowledges this strategy in a speech in 1949; here he articulates that the party should first focus on consolidating the worker-peasant social alliance, which when accomplished would demonstrate a strong powerful social base capable of securing communist power throughout China (Liu Shao-ch'i, 1969, 175-182). The following period would be one supported not only by the workers and peasants but also by the bourgeoisie (Barnett, 1964). This is where the party realized that it must capitalize on the skills, resources and strength of the bourgeoisie to further strengthen its authority over China and the prospects for national development. In the party's first years it not only required support from the urban environment including a skilled workforce, but the party also had not yet demonstrated its authority over urban areas, such as the bourgeois social and economic strength of Shanghai. Thus, its initial approach was one of moderation towards the capitalist elements (Gardner, 1969, 478-479; 486). As the party strengthened during this period, it allowed the continuation of private industry, albeit alongside state run industry, but it also began attempts to re-educate the bourgeoisie and win over as many capitalists as possible before implementing measures aimed at creating a socialist state (Mao, 1969, 364, 417-418; Gardner, 1969). In 1953 private industry still created 66% of all production; by 1957 this would diminish to under 3% (Lardy, 1987, 157).

The party's ultimate goal, and final stage, was to eliminate capitalism and install socialism. In order to do this, they would move through the cities and reverse its transformation in private industry through a planned economy that would eradicate the exploitative elements and raise the banner of the proletariat (Mao, 1969, 364-372). The Three-Anti (designed to deal with cadres corruption), Five-Anti (designed to denunciate and manage bourgeoisie corrupting tendencies) and Thought Reform (to mute the liberal thoughts of the intellectual community) Campaigns were all a means to achieve this end (Teiwes, 1987, 90). The implementation of the Five-Anti Campaign most explicitly resulted from a clash between a consolidating communist party power and its weak presence in and over China's urban environment; and as certainly represented in Mao's writings, paranoia over reactionary remnants (Mao, 1977, 17). As Mao said in his 1949 address to the Political Consultative Conference:



The imperialists and the domestic reactionaries will certainly not take their defeat lying down; they will fight to the last ditch. After there is peace and order throughout the country, they are sure to engage in sabotage and create disturbances by one means or another and every day and every minute they will try to stage a come-back. This is inevitable and beyond all doubt, and under no circumstances must we relax our vigilance (1977, 17)

The urban environment and its social actors in many ways still contradicted the ideology and goals of the CCP. The party's opposition to the socio-economic forces that it identified in the environment of China's cities had several sources. It deeply mistrusted the forces behind China's urban evolution: those that had compromised with imperialism, and the bourgeoisie which had been generally supportive of the KMT. The party did not know how fully it could rely on worker support in the cities until they had proceeded past the initial stage of 'alienation and exploitation'. They suspect that many workers worked in an environment which represented healthy relations between bourgeoisie and working classes (Gardner, 1969, 484; Mao, 1977, 106-107). Finally, increasing corruption in the cities and the leadership's inability to control this environment led to the adoption of more radical policies conducted by means of mass campaigns (Gardner, 1969, 495).

Intensifying corruption seemed to be the primary factor that produced and accelerated mass campaigns in the cities beginning in 1951 (Gardner, 1969; Mao, 1977; Barnett 1964). These campaigns were most specifically intended to 'cleanse the Party and entire bureaucracy of "rightist" deviations and "bourgeois" thought' (Barnett, 1964, 138; Mao, 1977). As Mao argued in 1953 in response to bourgeoisie corruption of party cadres, and in the aftermath of the campaigns, 'the bourgeoisie is sure to corrode people and aim its sugar-coated bullets at them' (Mao, 1977, 107). The Five-Anti campaign was aimed at the bourgeoisie as a result of their economic ties to the party bureaucracy, and more specifically, eliminating corruption that resonated from bourgeoisie-cadre relations. It should be noted that although corruption demonstrated a daily part of business life, particularly in Shanghai, any profit made by the business community was considered illegal and exploitative in the eyes of the party. Thus, in the end all reaches of the business community were targeted (Barnett, 1964).

In 1951 Mao made his concerns clear regarding urban China in general and bourgeoisie in particular - articulating the corrupting connection between bourgeoisie and communist cadres - and subsequently orchestrated his campaign against the 'five evils' (Mao, 1977, 64-70). In Mao's words, these were 'bribery, tax evasion, theft of state property, cheating on government contracts and stealing economic information' (1977, 65). In 1952 Mao revised his initial view of the bourgeoisie – that of representing only a minimal threat to the party – and labeled them as the 'principal contradiction in China' (1977, 77). As the March, 1952 'Directive of the Five Anti Movement' by Mao states, 'In the past, this matter was treated with leniency. In the future it will be dealt with strictly...to industry, be lenient; to business, be strict. To ordinary business be lenient; to opportunists in business, be strict' (Mao, 1952, 11). By the middle of 1953 he would make clear the urgency in not only combating the 'five evils' spreading from bourgeois foundations, but moreover that the bourgeoisie were a direct threat to the party line - to the success of socialism embodied in the ideology of Marxism-Leninism. In fact, by this time Mao would make clear – through his articulation of the failed opportunities in the past to successfully assimilate the bourgeoisie (KMT-CCP alliance; War of Resistance; and 1949 forward) - that in order to inculcate the principles of socialism into China's population, it would be imperative to depart from party-bourgeoisie relations (Mao, 1977, 103-111).

In order to deal with the issue of urban control, the party embarked on several different, yet related strategies referred to as the Five-Anti Campaign. This included first setting up a business association comprised of prominent bourgeois actors that needed little convincing to support the newly inducted communist regime. The second method was to use this group of loyal bourgeoisie to conduct 'self-examination' and 'self-criticism' campaigns in order to diminish the power of the business community and subordinate them to the communist regime: this had little effect. The most effective method was the party's empowering of the workers. The party conducted campaigns to indoctrinate the workers into believing in a separate identity from that of the bourgeoisie, and most importantly, a class that recognized their 'exploitation'. This tactic by the party demonstrated fruitful results; it encouraged the workers, if literate, to read newspapers which revealed workers denouncing their employers, or, if illiterate the possibility of hearing the propaganda through 'broadcasting stations' or

‘newspaper reading teams’. Although initially only creating nominal results for the party, this would eventually lead to more comprehensive measures and successful outcomes. The creation of small organizational units of workers, designed to denounce their employers and garner support from those who had not climbed on board, had led to a greater breakdown of the bourgeoisie (Gardner, 1969).

The campaigns unleashed to target the bourgeoisie in the first eight years of communist rule acted to slowly liquidate this class in all its dimensions – economic, legal, cultural, and ultimately political (Liu Shao-ch’i, 1958, 419-420). The rectification campaign had diminished significantly the bourgeoisie: capital was reallocated from private business to the state, converting private enterprise into state owned industry; industrial and commercial activity vital to the success of business was halted; the beneficial relations between cadre and bourgeoisie were severed to due cadre fear over future punishment; and finally, it eliminated any political, and democratic, ambition on the part of the bourgeoisie (Barnett, 1964, 143-144). This, though, was not the end of the party’s bourgeois rectification campaign. As Liu Shaoqi stated in a speech in 1958, at a time that marked the close of years of bourgeois liquidation campaigns and the start of the GLF, the struggle against the bourgeois class would nonetheless continue:

The experience of the rectification campaign and the anti-rightist struggle once again shows that throughout the transition period, that is, before completion of the building of a socialist society, the main contradiction inside our country is and remains that between the proletariat and the bourgeoisie, between the socialist road and the capitalist road. In certain fields this contradiction manifests itself as a fierce life-and-death struggle between the enemy and ourselves; that was the case in the attack launched by the bourgeois rightists in 1957. This attack was repelled, but in the future they will try to make trouble whenever opportunity arises. We must, therefore, be prepared to wage prolonged and repeated struggles against the bourgeois rightists before their contradictions with the people can be fully resolved (Liu Shao-ch’i, 1958, 420)

Why, then, had the party taken such drastic measures with the bourgeoisie after granting concessions and vocalizing a non-interference policy? For one, there existed a fundamental contradiction between agents of capitalism and the ideology of

communist party, both in theory (socialism is antithetical to capitalism) and in practice (bourgeoisie exploitation of the masses) (Chen and Chen, 1953). But as Liu Shaoqi made clear, among other Chinese leaders, the bourgeoisie are not only acceptable during certain periods of struggle and socialist development, but in fact are necessary to this very process. As noted above, the first and most important stage for Mao and the communist leadership was to eliminate all feudal-imperial forces. The bourgeoisie, who are opposed to feudal and imperial forces, were best suited to lead this part of the revolutionary process, though, because they represent their own class interests and not those of the masses, following the successful eradication of feudal-imperial agents the proletariat would be expected to rise into leadership (1969, 146).

Second, some analysts have argued that the campaign was employed primarily to address the growing dissatisfaction with the party related to growing corruption of cadres, bureaucratism and waste (labeled the 'three evils') and shift this onto the bourgeoisie, blaming their capitalist activity as the root cause of these issues (Chen and Chen, 1953). Finally, revenue required for party activity was constantly increasing, and without squeezing funds from the bourgeoisie, the party had few other comparable sources of revenue; thus the party imposed excessive fines and taxes on the bourgeoisie in order to secure increasing government expenditures (Barnett, 1964). In the end, the party's short-term tolerance of the bourgeoisie was strategic, and no different from any other time in the nation's history: the authority, whether Yuan Shikai, the KMT or the CCP, used the entrepreneurial class for its purposes without regard for the continuation of its existence (see Malik, 1997).

The campaigns proved economically and politically disastrous for the bourgeoisie (Bergère, 1989, 294), marking a massive transformation in Chinese socio-economic order. As Malik notes, in Shanghai in the early 1950's there existed over 200,000 enterprises, where by 1960 they had been reduced to 14,000, 8,000 after the GPCR, and 259 by 1978 (1997, 43). Increasing government intrusion created a private sector dependent on the state, which, in turn led to transfer in ownership from private to state and the positioning of cadre leadership in private enterprise (Teiwes, 1991, 39-40; Chen and Chen, 1953). These developments, at least in theory, were still in line with the policy of 'united front' and gradualism, but in reality private industry had been completely subordinated to the state (Teiwes, *ibid*; Barnett, 1964). The policies

employed by the communist regime were designed not to eradicate the bourgeoisie, but instead suppress them to a subordinate position and utilize their production to fund state activity (Chen and Chen, 1953). The ultimate goal, though, as evidenced in the growth and continuation of the anti-bourgeoisie campaigns, was as Zhou Enlai stated in 1959 to re-educate those with bourgeois ideas in the ways of socialist and communist thought: ‘As a result of the socialist rectification campaign, the Chinese people have repudiated bourgeois ideas and greatly raised their socialist and communist consciousness’ (Chou En-Lai, 1959, 7).

Thus, the Chinese bourgeoisie since 1911 had begun to experience a politically, and economically, unfortunate pattern. The two profound events to follow – the GLF and the GPCR – would represent the destruction of the bourgeoisie but paradoxically also the decline of its opponent the communist party. The GLF would signal the decline of the party’s once established solidarity, as leaders would begin to disagree on the ideas that would guide China’s modernization. And the GPCR would signal not only the final attempt to completely wipe out all bourgeois influences, arising from the decline of intra-party unity maintained in the first eight-year period after 1949; but it would also shatter the ideological foundation of the party and destroy its legitimacy.

### *The Fall of Maoist China and the Struggle for Bourgeois Existence*

The GLF was a significant event in China not only due to the fact that it claimed millions of lives, but moreover in that it represented important developments and shifts in China’s economic and political policy. First, it sought to abandon the Soviet model, as well as provide a response to growing obstacles to continued socialist growth. Specifically, the deteriorating relations between China and the Soviet Union forced China to take an original approach to continued development (MacFarquhar, 1983; Lieberthal, 1987). The approach diverted focus away from the industrial centers in the large cities and directed emphasis on developing the rural sector, and with emphasis on peasant manpower over bourgeois productivity and expertise – a strategy which would set in motion a series of developments that would undermine the ideological foundation of the peasant-party unity Mao had created (Ma and Hanten,

1980, 3). As a Peking Review excerpt stated in 1959:

The expansion of the scale of agricultural production in China is unprecedented. Prior to the establishment of the people's communes, China's 120 million-odd peasant households organized some 740,000 agricultural producers' co-operatives which have now been reorganized into more than 26,500 people's communes. Each embraces an average of nearly 5,000 households with a labour force of approximately 10,000 and about 60,000 *mu* of land. Agriculture in China is still not mechanized and electrified, but the scale of capital construction in farming and water conservancy now being carried out by the people's communes, the shift from shallow ploughing and extensive cultivation to deep ploughing and intensive cultivation, the change from "big areas with small output" to "small areas with large output" and the intensive garden style cultivation of farmlands are something that does not and cannot happen in any capitalist country (Tung Ta-Lin, 1959, 6)

Second, the GLF seems to have been in part a result of Mao's disgust with a lack of success towards the end of the 1950's; his inclination was to revert back to the early years of the CCP where, although seemingly ill-equipped and ill-prepared to emerge victorious, the party was able to use its signature tactics – mass mobilization and organization – to return to its productive stage (Lieberthal, 1987, 293-305). Moreover, it represented Mao's disgust with bureaucracy and its ability to separate the party from the masses, thus, Mao's exclusion of the bourgeoisie and emphasis on the masses (MacFarquhar, 1974; 1983). Thus, the GLF would focus on the mobilization of peasant power in order to fuel China's economic development. As Mao noted in 1955, the rectification campaigns had liquidated the majority of the bourgeois class, and subsequently, China was prepared to begin its accelerated socialist transformation (Liu Shao-ch'i, 1958, 425). Nonetheless, it seemed in Mao's mind that bourgeois elements remained in terms of those who doubted the viability of the Great Leap model. In Liu's speech in 1958, he references a quote by Mao which touches upon the connection between remaining bourgeois elements and productive growth:

The problem facing the entire Party and the nation is no longer one of combating rightist conservative ideas about the speed of the socialist transformation of agriculture. That problem has been solved. Nor is it a problem of the speed of transformation of capitalist industry and commerce, by entire trades, into state-private enterprises. This problem too has been solved...The problem today is none of these, but concerns other fields. It affects

agricultural production; industrial production...handicraft production; the scale and speed of capital construction in industry, communication and transport...the present problem is that many people consider impossible things which could be done if they exerted themselves. It is absolutely necessary, therefore, to keep on criticizing rightist conservative ideas which actually exist (Liu Shao-ch'i, 1958, 425).

The initial agenda behind the GLF was the call from Mao for bourgeois intellectuals to embody two fundamental characteristics: be red and be expert (Chesneaux, 1979, 85-86; MacFarquhar, 1983, 28). Mao's initial call for the return of bourgeoisie expertise came at a time when Mao, although in certain ways disappointed with actions taken by the Soviet Union, still believed in the viability of the Stalinist model and in this case its emphasis on utilizing expertise (MacFarquhar, 1983, 28-29). As Liu Shaoqi made clear in his August 1957 address, red referred to the call for a collective mass fully in political line with the party; and expert referred to the specialists in society that were called on to use their expertise in support of the party, but only after a thorough re-education of the proletarian line (Liu Shaoqi, 1969, 456). But Mao's call was soon changed, when two months later he would reduce the call for bourgeoisie expertise, emphasizing red over expert in order to justify the process of an imminent GLF – the 'exclusive reliance on the mass mobilization of labour' (MacFarquhar, 1983, 40). The GLF was therefore influenced and driven not by the intellectual bourgeoisie but instead by the shifting ideological positions within the party leadership. This was important in that the experts in the guidance of Chinese development had been reduced to the background and therefore no longer contributed their important part (such as strategizing and predicting) to the revolutionary process; this prevented one possible check on the decision to implement the GLF.

The GLF marked an important point in the evolution of China under the CCP: it deviated greatly from the relatively successful first eight-year period; it proved politically destructive for the bourgeoisie (especially the intellectuals); and it demonstrated the roots of Maoist party skepticism culminating in the GPCR (which proved socially, economically, and politically destructive for not only the bourgeoisie but for all of China). This can be seen through the development of several factors surrounding the GLF, both preceding and following this catastrophic leap.

First, the events that preceded the GLF – the ‘Blooming and Contending’ phase (May 1 to June 7, 1957) and the Anti-Rightist Campaign (commencing June 8, 1957) – represented two important shifts in the inner politics of the CCP, particularly a substantial rift created by Liu Shaoqi and leaders closely allied to his faction, such as Chu Teh, Lin Pochu, Peng Chen, and Peng Dehuai (MacFarquhar, 1974, 1-16; 218; 248). A number of events represented the development of this intra-party division, beginning in 1955. In 1955 Mao called for rapid collectivization (the ‘first leap’) in order to speed up the process of transition to socialism; Liu Shaoqi opposed Mao, understanding the failures of Soviet attempts to induce rapid collectivization, and recognizing its potential to deteriorate the party’s social base and the country’s economic progress (MacFarquhar, 1974, 1-16; 218). Instead, Liu pressed for the continuation of peasant private property and the need for collectivization to follow industrialization, not the other way around (Becker, 1996, 47-50). Moreover, as events progressed, certain leaders allied to Liu Shaoqi would oppose the Maoist line in two respects: emphasizing defense over economic spending; and suggesting that Mao Zedong Thought be eliminated from the party constitution. This would create the impetus for an 8<sup>th</sup> party congress that would demote members of Liu’s faction in order to create a check on their power to control the party machinery (MacFarquhar, 1974, 146-147).

Furthermore, Mao either misread Liu, or they in fact differed, on the principal task facing the party’s socialist reconstruction: Liu believed it rested in educating party cadres – conducted within the party - in order to avoid subjectivism (inadequately educated and removed from the masses); Mao believed firmly in the continuation of class struggle, utilizing interaction both within the party and between the party and the masses (Ibid, 113-116). This would result in a more visible division between the two leaders – evident in the absence of Liu at the Supreme State Conference where Mao presented his position on contradictions, as well as Liu’s handling of the People’s Daily reports – that would precede Mao’s rectification campaign opposed by Liu and many others in the Chinese leadership (Ibid, 184-218).

Second, following the GLF, its visible failure, and the events that surrounded this failure, created a breakdown in leadership cohesion. This first became visible at the Lushan conference, when Peng Dehuai was accused of criticizing the Chairman for



the policy of the GLF. Peng had just returned from a meeting with Khrushchev, at which point Khrushchev cut China off from its agreement to supply nuclear aid as a result of his opposition to China's commune approach. Subsequently, at Lushan, Peng criticized Mao's GLF approach – the consequence of which was Mao's move to accelerate the GLF policy (Lieberthal, 1987). In turn, the GLF would not achieve the production and development that Mao had envisioned; instead, it would create widespread famine and begin to pull apart the party's previous cohesion. Although Mao had claimed that leaders in theory could criticize, as long as they adhered to the final line, Peng was eventually treated as a revisionist. As Mao states in September of 1959 in regard to Peng:

I warmly welcome Comrade P'eng Te-huai's letter...if he thoroughly changes and makes no more major vacillations (minor vacillations are inevitable) he will "instantly become a Buddha," or rather a Marxist...Let us severely criticize the mistakes he has made and at the same time welcome every improvement he has made...We should take the same attitude toward all other comrades who have made mistakes but have indicated their intention to amend. We are confident that this policy will be able to influence people and that under certain circumstances people will change, except for certain individuals (Mao, 1959, 187)

This incident would set the spark that would turn Mao against the party he created, and subsequently explode in the GPCR (MacFarquhar, 1983, 233).

Third, as alluded to above and as an extension to the second point, it was evident that the economically disastrous consequences of the GLF were in many ways derived from the party's attempt to place red ahead of expert (Lieberthal, 1987). Although the party at times seemed to realize the mistake of removing bourgeois elements from the development process, the fundamental precepts behind the leap prevailed (MacFarquhar, 1983, 310-315). In particular, towards the end of 1959 Mao and Liu would begin to emphasize the importance of returning the bourgeois elements to the national stage, following the 1956 transfer of private enterprises into joint state-private entities, not to mention the rectification campaigns against this class (ibid, 1983, 310). Liu it seems had either believed in their importance for China's development as producers or intellectuals of course in supporting the party's

leadership, or, was instructed by Mao to promote this line, while other organs of the leadership such as the propaganda arm also indicated this temporary move to utilize bourgeois elements for the party's goal of socialist reconstruction (ibid, 315-316). Nonetheless, by 1960 China's producers and intellectuals would be disengaged from employing their skills; instead, all energy was focused on manpower to fuel the leap at the expense of education and scientific and technological development (ibid, 1983, 315-318).

Although Mao had always been hesitant to acknowledge the importance of natural science and expertise over the science of Marxism-Leninism, he nevertheless in 1961 had no other choice – in the midst of post-GLF socio-economic trauma – but to conduct nationwide investigations on the failures of the GLF and to reassess the need to re-assimilate the bourgeoisie and education into national life. The details of these endeavors were hammered out in Politburo discussions and subsequent formulation of documents; what the conveners, particularly Liu Shaoqi and Deng Xiaoping, of these sessions did not realize is that Mao would be absent, and during the GPCR his absence would absolve him from the attacks that would label the content of these discussions and documents as revisionist (MacFarquhar, 1997, 90-120).

Finally, Mao acquired his seeds of paranoia over revisionist elements in the aftermath of the GLF, and for two important reasons: the rise of supposed bourgeois elements within the party, in both economic decision-making that was revisionist as well as in the intellectual and cultural spheres of activity; and the revisionist course that had ensued within the Soviet Union's leadership (Lieberthal, 1987; Harding, 1991; MacFarquhar, 1997; Hinton, 1972, 28-29). The GPCR was ultimately about whether China would be governed by a proletariat party following socialist policy, or, a bourgeois party following the capitalist road (Hinton, 1972, 17). The divide in leadership was planted in 1960, at a time when Mao decided to step down from his Chairmanship as leader of the party and pass the post on to Liu Shaoqi. From this point forward it was clear that Mao was not ready to relinquish his power - and Liu and Deng would increasingly make decisions without the approval of Mao (Harding, 1991, 113). As important as the revisionists' exclusion of Mao was the content of the decisions that Liu and Deng would take. These included their approval of the move to implement the household responsibility system, which positively deviated from the

collective system in emphasizing the individual over the collective as well as the introduction of incentives (MacFarquhar, 1997, 209-296). At the December 1964 work conference, Mao on the one hand and Liu and Deng on the other, would differ in outlook – Mao focused increasingly on intra-party revisionists and Liu and Deng on cadre and peasant corruption as well as economic alleviation (MacFarquhar, 1997, 399-430). The intent by Liu and Deng to avoid ceding to Mao's wishes resulted in the breaking point in the relations with the Chairman; following the conference he would denounce their actions and begin preparations for the GPCR.

Despite a growing divide within the party apparatus, Mao was able to not only strategically develop a base for which to conduct the GPCR but he also was extremely powerful in purging those who neglected to maintain the socialist line (Harding, 1991). Mao's consolidation of power for which he would use to unleash the GPCR, began with the events surrounding the play created by Wu Han, a Chinese historian, for which he was accused of creating an allegory for Mao's dismissal of Peng Dehuai and ultimately supporting Peng's bourgeois platform. Mao's attempt to combat this bourgeois cultural growth can be seen in the events of the spring of 1966 in an attempt to support leftist culture, such as in the Peking operas:

The last three years have seen a new phase in the great socialist revolution. The most outstanding example of this is the emergence of Peking operas on revolutionary, contemporary themes. Those working to reform Peking opera, led by the Central Committee of the Party and Chairman Mao and armed with Marxism-Leninism and Mao Tse-Tung's thinking, have launched a heroic and tenacious offensive against the literature and art of the feudal class, bourgeoisie and modern revisionism (Peking Review, 1966b, 6-7)

Most significant was Mao's instructions to Peng Chen, Wu Han's superior, to organize a group, called the Five Man Group, to criticize the play that manifested in the February Outline. The conclusion in the February Outline, seen as unsatisfactory by Mao, was then countered by a Politburo meeting in May and the subsequent creation of the May 16 circular. The May circular accused the February Outline of rightist deviation and made clear that the bourgeoisie within the party would be targeted (Harding, 1991, 132-133). As a People's Daily editorial wrote in June of

1966,

For the last few months, in response to the militant call of the Central Committee of the Chinese Communist Party and Chairman Mao hundreds of millions of workers, peasants and soldiers and vast numbers of revolutionary cadres and intellectuals, all armed with Mao Tse-tung's thought, have been sweeping away a horde of monsters that have entrenched themselves in ideological and cultural positions (Peking Review, 1966c, 4).

The concentration of articles promoting Mao Zedong Thought, in the weeks following the May events, seem to be a move to combat the growing bourgeois cultural sphere. For example, all but one of the June Peking Review volumes, and the first July volume, employ titles on the front page supporting Mao Tse-tung thought. The June 3, 1966 edition states 'Mao Tse-tung's Thought – Beacon of Revolution for the World's People; June 10 states 'New Victory for Mao Tse-tung's Thought; June 17 states 'Put Mao Tse-tung's Thought in the Forefront'; and the July 1 edition states 'Long Live Mao Tse-tung's Thought' (1966). Thus the Wu Han controversy provided a major spark in the commencement of the GPCR, as it created a rift within the leadership between rightists and leftists, and in turn, set Mao on a campaign to liquidate the remaining bourgeois elements that would include top ranking officials such as Liu Shaoqi, Deng Xiaoping and Peng Zhen (MacFarquhar, 1997, 439-444).

The May circular detailed how the February Outline had confirmed Mao's suspicion of bourgeoisie infiltration into the party, concluding that the cultural issues, such as Wu Han, should be resolved through intellectual discourse, which differed fundamentally from Mao's political thought – that class struggle is a prolonged affair and a political struggle, not an academic debate by the controlling bourgeoisie (Current Background, 1966). Mao's view of the February Outline was made clear in the circular: 'it obscures the aim of this great struggle, which is to criticize and repudiate Wu Han and the considerable number of other anti-Party and anti-socialist representatives of the bourgeoisie (there are a number of these in the Central Committee and in the Party, government and other departments at the Central as well as at the provincial, municipal and autonomous region level)' (Current Background, 1966b, 3).

In connection to the May 16 circular was not only Mao's instructions to purify the party bureaucracy, but as a result of his absence in Beijing at the time, to place Liu Shaoqi in command of the party in Beijing. With the mass student movement growing, Liu formed work teams and dispatched them to remove party officials from their positions; but he exempted the higher ranks of the party from exposure and reinstated the party's authority. Furthermore, lower level officials under Liu took deviated from not only Liu's instructions but also Mao's in banning student revolutionary activity on campus. Mao, on the other hand, envisioned the growth of the student revolutionary movement that would infiltrate the highest positions within the party. This development would set Mao against Liu, and lead to the subsequent bourgeois charges against Liu (Harding, 1991, 131-136).

The CCP Central Committee's official paper, the *Renmin Ribao* (RMRB), highlights this in its opening publication of 1967. In Mao's unfortunate absence from Peking, bourgeois reactionaries within the party had mobilized, and thus Mao was unable to suppress these developments. Specifically the party was referring to the suppression of revolutionaries, to assume the name Red Guards, whose revolutionary activity had been contained by work teams under the guidance of party leadership – namely conservative factions under the leadership of Liu (Hinton, 1971, 60; RMRB, 1967, 1). The revolutionary masses had begun 'making a lot of noise' in stirring up revolutionary activity, but were then suppressed by party members, again Liu Shaoqi, taking the capitalist road, whose understanding of good and evil had been increasingly blurred (RMRB, 1967, 1). Further reports at this time illuminate the growth of revisionists within the party. As a *Hongqi* (Red Flag) report notes, 'In some places and units, there have been zigzags and reverses. There the persons in charge or those in charge of the work teams sent there have made an error on matters of orientation, an error of line. These persons in charge have organized counter-attacks against the masses' (Peking Review, 1966, 19).

It seems Mao's fundamental issue with Liu, indicated in a 1976 *RMRB* editorial as "China's Khrushchev", was his seemingly more pragmatic position in pursuing economic struggle over political struggle (Peking Review, 1967, 27-31). As the editorial notes, Liu's revisionist tendencies had in fact begun in the first years of the establishment of the CCP. His approach was for the workers to battle for legal rights

in order to combat exploitation by the capitalists, opposed to employing an approach where political struggle prevailed. This was not in line with the prescribed socialist revolutionary line posited by Mao: ‘development of socialist production demands that proletarian politics be put in command and that the socialist revolution be taken as the motive force’ (ibid, 29). This in particular revolved around Liu’s instruction for the workers to work within the context of the trade unions in order to ‘co-operate with the capitalists’ and ‘to “make the capitalists feel at ease”’ (Peking Review, 1967, 29). Mao envisioned not a negotiation with the bourgeois elements, as he observed in Liu’s approach, but instead their liquidation entirely, the most obvious example being the party’s employing of work unions as the most effective tool in carrying out the Five-Anti Campaign to begin liquidation of the bourgeoisie (See Gardner, 1969). Thus, perhaps Liu’s suppression of the student revolutionary movement in 1967 further substantiated Mao’s feelings over the absence of Liu’s political emphasis on methods for achieving the socialist state Mao had envisioned.

Thus, Liu became identified as the leader of the bourgeoisie within the party (Foreign Languages Press, 1969, 1-2). As a New Year’s editorial in the People’s Daily, the Red Flag, and the Liberation Army Daily stated, ‘the Party decided to expel the renegade, traitor and scab Liu Shao-chi from the Party once and for all and to dismiss him from all posts both inside and outside the Party, and thus proclaimed the total collapse of the bourgeois headquarters headed by Liu Shao-chi’ (Foreign Languages Press, 1969, 1-2). Mao subsequently named Liu a ‘capitalist roader’: ‘I have read Liu Shao-chi’s On the Cultivation of Communist Party Members. It is anti-Marxist...From now on, we should not advocate the slogan of “down with the die-hard elements who uphold the bourgeois reactionary line,” but rather “down with those in power taking the capitalist road” ’ (Mao, 1967, 454). The capitalist roaders were defined in a Central Committee document in January of 1967 as ‘Party power-holders...and diehards clinging to the bourgeois reactionary line’ (Current Background, 1968a, 49).

The Maoist era had embarked upon successive campaigns in order to liquidate all bourgeois thought and practice, and by the GPCR Mao had succeeded in this objective – though at great social, economic and political costs. In 1952 and through the Five Anti Campaign the party had suppressed the property holding bourgeoisie; in 1956 the intellectual bourgeoisie were muted, and on the eve of the GLF they were

excluded from involvement in party led development; and in 1966, the bourgeoisie that has supposedly infiltrated the party, had become the final targets as the GPCR was set in motion. The GPCR was a campaign that experimented with indoctrination on a national and comprehensive scale, and in turn, eliminated any remaining remnants of liberal thought. The revolutionary youth were the instruments for which to carry Mao's ideology and re-educate the party: 'Mao Tse-tung teaching has become a powerful ideological weapon which is being used by tens of millions of people with increasing consciousness, and a great motivating force for progress' (Peking Review, 1965, 6); while the objective was to 'achieve all-round ideological, political, economic and organizational victory in the great proletarian cultural revolution' (Peking Review, 1968, 8), indicating the comprehensiveness of this campaign. Thus, the GPCR was Mao's final card in his attempt to eradicate all bourgeois elements in China, which in this rectification campaign extended to the highest ranks of the party. Paradoxically, this final campaign would not only cause significant destruction to the fabric of the party, but it would also give rise to a liberal leader in Deng Xiaoping.

## **5.2 The Re-Creation of the Chinese Entrepreneur, 1978-1989: ‘To Get Rich is Glorious’**

*The First Decade of Reform: A New Direction in Party Ideology and State Modernization?*

Western economic and political theory argues that the presence of opportunity through expanding markets represents the foundation for the emergence of a bourgeoisie, and that through a transforming ideology arising from its market interactions this political class would then secure political power in order to establish a democratic platform. In the first decade of the reform era in China, from the end of 1978 to the end of 1989, the one principle that was established from the outset was the implementation of markets and the legislation of private property in both the agricultural and industrial sectors – the same principles that had supported the rise of a Chinese bourgeoisie in the early 20<sup>th</sup> century and that had led to a politically successful western bourgeoisie in the 18<sup>th</sup> century in Europe and America. Of course and precisely because of the known connections between market expansion and sociological change throughout the reform period a debate was conducted between reformers, conservatives and intellectuals as to what the consequences were for China’s politics in the return of markets and private property to Chinese economic development (Solinger, 1993, 225-251; Harding, 1987, 100).

As stated at the Third Plenum of the 11<sup>th</sup> Central Committee of the Communist Party of China in 1978, a new direction in party ideology and policy would begin. It would reflect a new economic policy, based upon greater empowerment of the individual; enterprise efficiency and the decline of state control; the support of the rule of law; and a political policy that would attempt to strike an end to the practice of mass campaign that caused mass destruction, as well as an end to intra-party labeling (Peking Review, 1978, 6-16; RMRB, 1979, 1). As Deng Xiaoping stated in 1978, the principles of economic organization should be ‘“to each according his work,” work out payments in accordance with the amount and quality of work done, and overcome equalitarianism; small plots of land for private use by commune members, their domestic side-occupations, and village affairs are necessary adjuncts of the socialist



economy, and must not be interfered with' (ibid, 12). This foreshadowed a growing emphasis on privatization and the rule of law, and emerging freedoms, while moving away from the economic and social policies, including mass campaigns, that had characterized the Maoist era (Lin Chun, 2006, 207). Thus, although the party would still hold ultimate authority, this indicated once again a shift in power from state to society.

Most important was the encouragement of individual empowerment as a result of party supported independent decision-making in the economic sphere. For example, an article in the Peking Review in 1980 regarding new economic policy pointed out the problems behind the Soviet-style economic policy of centralization and unification. Within this working environment, decision-making rests with higher authorities, not the actual entrepreneurs: profits are distributed to the top, and enterprises aren't able to maintain equipment or improve and innovate without requests from higher governing bodies for approval and financial support. On the other hand, as the article posits, private enterprises and the entrepreneurs are most efficient and productive if they are empowered with individual decision-making that is based on their specific conditions (Xue Muqiao, 1980, 17-18). Thus, what was observed at the outset of the reform period was the emphasis - but not the full implementation - on three fundamental interests and values: markets, private property and the rule of law.

Deng Xiaoping was the voice and power behind these bold new reforms in China. Deng in many ways practiced what he preached in terms of his emphasis on opening China's economy to independent forces of production, as well as certain measures to restrain official abuses through strengthening the rule of law as - noted above (Deng Xiaoping, 1980). An interview with Deng Xiaoping in 1980 illuminates the shift in policy in China that commenced in 1978, and this new philosophy in support of an economic independence that Dengist pragmatism came to reflect:

For quite a long time, we haven't had a systematic law...socialist democracy and a socialist legal system are not only meant to supervise the leaders and officials but also everybody has to abide by the law. At present the Chinese people are opposed to privilege. This is right...seek truth from facts...combine theory with practice and...proceed in every

case from reality. That is to say to emancipate our mind and to think independently, but we should add another phrase to that; that is, to unite as one, look forward and march towards the four modernizations. It won't do just to obey blindly the orders from above (Deng Xiaoping, 1980, 18-19)

Upon securing leadership of the party Deng also ensured that he had liberal proponents by his side. These were to be Hu Yaobang and Zhao Ziyang, both elected to the Political Bureau in 1980, and formally announced at the Fifth Plenary Session of the 11th Central Committee (Peking Review, 1980b). Furthermore, at the Fifth Plenary Session he also made a formal announcement reversing the charges against Liu Shaoqi as a bourgeois proponent: 'Because the appraisal of the situation in the Party and the country on the eve of the Cultural Revolution was contrary to fact, an entirely wrong and groundless inference was made, asserting that there was within the Party a counter-revolutionary revisionist line and then that there was a so-called bourgeois headquarters headed by Comrade Liu Shaoqi' (Peking Review, 1980a, 9), which followed Deng's vindication of Peng Dehuai in his speech in 1978 at the 11<sup>th</sup> Central Committee (Peking Review, 1978, 14). This would set in motion a Dengist-led redemption process of those party leaders wrongfully accused during the Maoist era (Peking Review, 1980a). By the end of the 1980s, the progress of the liberal reforms that began in 1978, and the liberal reformers behind them, in particular Hu Yaobang and Zhao Ziyang, would experience the political limits to these reforms, which would manifest in the crackdown in Tiananmen Square as well as the purging of Zhao Ziyang.

Markets slowly sprouted (Solinger, 1993, 229), and rural areas were first targeted (1980-1981) with the implementation of a self-responsibility system: after meeting government quotas, farmers were allowed to use the market to obtain wealth (Nan Lin, 1992, 28-29). Work conferences in 1981 and 1982 continued the push towards greater liberalization of the economy, as indicated and encouraged in articles published in the People's Daily which stated the purpose of the work conferences:

'The conference, regarding business activity in this new period, put forth the following fundamental tasks: "promoting the birth of commodities, developing the circulation of commodities, and making prosperous the economies of town and country, because of the

people's need for an increasingly growing material culture and in the service of constructing a socialist modernization” (RMRB, 1982, 1).

The effects of these developments and interactions in economics and politics presented problems to the stability of the party-state apparatus culminating in the crisis of 1989. In Maoist China corruption had been largely repressed but with the explosion of market activity it returned in a marked way, drawing in cadres who wished to retain their strategic state position and yet also wanted to exploit market wealth. Thus, the 1980's, was a time of constant oscillation: its pushing (liberalization) and pulling (de-liberalization) signified a relationship between Chinese state and society that was moving towards crisis. The leadership welcomed the return of the middle class, especially in its traditional role of facilitating fervent economic development, but it certainly opposed the political consequences: a liberal bourgeois ideology that would oppose the party, and an economic system that would create problems such as corruption and nepotism that would provide for its delegitimization. The oscillations represented a political leadership attempting to circumvent the contradictions that arise in reforming economic systems but failing to reform the political organization of the state (Baum, 1994, 122-142).

A speech by Deng Xiaoping, at the Second Plenary Session of the Twelfth Central Committee of the Communist Party of China, demonstrated not only his emphasis on the importance of a) science, technology and professionals; and b) the adoption of certain elements in western culture, but also the contradictions that arise between the party and these social forces. Here the standard party dialogue was emphasized: reform and open to the outside world must be sought under the ideological rubric of Marxism, and defined through the leadership of the party (Deng Xiaoping, 1994, 5). Deng was responding to the previous events that had demonstrated an increasingly liberal, and therefore bourgeois environment – the Democracy Wall Movement of 1979 and the emergence of an excessive bourgeois culture in 1980-81. These problems were to intensify, as 1985 would demonstrate a rise in corruption as cadres increasingly were pulled away from the party and towards market mechanisms and market ideology (Harding, 1987, 74-75; Baum, 1994).

Although with each wave of excessive bourgeois liberalization there followed a conservative drive to subdue its force, the one constant that remained was the success of liberalization that would eventually return – and with greater socio-economic and even political tenacity. Although the rise in bourgeois culture was met with party opposition in the form of a call for a ‘socialist spiritual civilization’, it also generated an intense effort to restructure and reform the political institutions, such as retirement mandates, and changes to legislative and judicial organs. These changes served to encourage belief in political change and was reflected in the rise of the voice of intellectuals. Furthermore, although a conservative opposition rose to this development, it was soon followed by another intense reform effort by the party, this time to introduce young, educated technocrats into the party as well as the encouragement of entrepreneurial activity. The result of these profound developments would result in a mid-decade crisis for the party: the rise of corruption, as cadres increasingly became intertwined with market forces through the exploitation of state resources (Baum, 1994, 143-163).

At the root of the oscillating reform environment was the intra-party factional battle between the radical reformers, led by Hu Yaobang and Zhao Ziyang, and the moderate minded reformers, led by Peng Zhen and Chen Yun (Goldman, 1994, 16). They differed – in terms of economy, politics, ideology and culture – on the pace at which to open up, and as well the level at which to allow these aspects of society to liberalize. Neither camp believed in returning to the CCP of the GPCR; but whereas the hardliners believed in embracing past successes in the Leninist system, the democratically minded reformers wished to prepare a sweeping overhaul of political institution and ideology (Ibid, 61).

As a result, in the initial years of reform and opening up, not only did a reform faction emerge within the party and with overriding power, but furthermore, liberal forces began to emerge as well, advocating liberal political principles. This was first manifested in the Democracy Wall Movement, where reformers encouraged the emerging liberal minds to speak freely. Although for the reformers this was a strategic move to consolidate power over the hardliners and oust Hua Guofeng, it did reflect to a certain degree the liberal nature of the reformers. Moreover, the Democracy Wall movement commenced a social and political trend in China: as a result of China’s

economic opening up, certain social elements, many former Red Guards, began to speak out and in favor of liberal principles. They called for the implementation of the rule of law, constitutional governance and political pluralism in order to prevent the destruction caused in the Maoist era. Some went as far as criticizing the one-party system in general and the CCP in particular, drawing a connection between the dogmatic ideology of Marxism-Leninism and despotic governance. The crackdown on the Democracy Wall Movement, as a result of growing criticism directed at the party and Deng Xiaoping, revealed the limits of China's constitutional governance and democratic process under the one-party system (Goldman, 1994, 41-53). As one activist stated, ‘ “We would like to know if it is legal or not for a vice premier and a vice chairman [Deng Xiaoping] to announce the arrest of people rather than for the courts and the people's representative organs to do so?” ’ (Goldman, 1994, 46). Thus, though not representing a bourgeoisie as in the classic Marxist sense of being a class in itself and for itself, these groups were implicitly organizing in a way that evoked the emergence of bourgeois classes in history, including China's history in the early 20<sup>th</sup> century.

By 1986 the liberal reformers had begun to advocate a complete disintegration of the planned economy and the implementation of a market economy, where the state transitioned from its economic role as controller to regulator and facilitator. The primary reason behind the drive was to further liberalize the private enterprise system in China – a system that had been limited under the control of the state ever since the beginning of reform. It embodied bold proposals, not only to relinquish state control, but also to implement legislation, such as developing the rule of law, in order to protect private property holders against state intrusion. The oppositional camp to these proposals - who believed that the growing political pluralism and opposition to the party-state system was a direct result of increasing economic, enterprise and individual autonomy – were concerned about the level of liberalization that would result if these reforms were implemented (Harding, 1987, 124-128).

As presented at the government conference in Shanxi in 1986, members stressed the need to strengthen and perfect the ‘socialist legal systems’ and develop ‘socialist democracy’, specifically referring to the changing nature of the state in response to economic development (Xu Zhaoming, 1987, 28). As the term ‘socialist democracy’

only granted a selective system of democracy to society, equally the socialist legal system granted ultimate power to the party, not an independent judiciary. Thus liberals called for fundamentals to a democratic system: the rule of law opposed to the rule by man which guarantees that society *and* party (specifically the faction or individual in power) are accountable to the law; individual rights, such as individual freedom, political association and participation and the right of citizens to elect their officials; a system of representation, where officials are accountable to their constituency by allowing them to voice their concerns, and where freedom of the press prevails and serves its function of encouraging transparency; and finally a system of separation of powers that allows for independent government organs (Tan Jian, 1987; Wei Haibo, 1987, 74-75). The legislature should be allowed to make laws independently, as well as be able to reject proposals from the party – a concept never entertained in the history of the PRC (Pu Xingzu, 1987, 79). As one liberal intellectual wrote:

The power of the party committees themselves is often in the hands of a few secretaries...It has seriously hindered the government, the people's representative congresses, and the judicial institutions in exercising their constitutional power. All of the top-level institutions of state power, including the government and judicial institutions, have been changed into executive organs of the party (Tan Jian, 1987, 47)

One of the most prominent liberal voices of this time, Yan Jiaqi, also voiced concerns over the lack of distinction between party and state. Here he emphasized the importance of separating the party from government institutions, and government institutions from social institutions: 'it is necessary to...continue to reform the highly centralized system so that we can carry through the economic reform and mobilize and give free rein to the creativity and initiative of local authorities, enterprises, and individuals' (Yan Jiaqi, 1987, 38).

By the end of 1986, the liberal movement has reached its climax, with liberal discourse moving outside the established boundaries of the four basic principles ('the socialist road, the people's democratic dictatorship, Communist Party leadership, and Marxism-Leninism-Mao Zedong Thought') (Stavis, 1987). The effect was cumulative: discourse turned into action and demonstrations ensued. The result was a

Deng Xiaoping led crackdown and the demotion of the father of liberalism in the 1980's – Hu Yaobang (Stavis, 1987). The demotion of Hu Yaobang and his subsequent loss of power in leading the democratic reformers had, temporarily, put the concerns of the conservatives to rest (Harding, 1987, 124-128).

The two years leading up to the Tiananmen demonstrations saw the rise of Zhao Ziyang in place of Hu Yaobang, and his renewed emphasis on economic reform. Of his accomplishments, and in relevance to values of the bourgeoisie, at the Seventh People's Congress in March Zhao spearheaded legislation to legally recognize private enterprise and rights to own private property (Baum, 1994, 227). But shortly after his rise to power, the conservatives targeted Zhao as serious problem began to surface: corruption, rising inflation and rising crime rates. With the support of Deng, Li Peng took over the economic controls and the liberal drive was once again halted. With Hu Yaobang's death on April 15, 1988, the seeds of Tiananmen had been planted (Baum, 1994, 225-243).

### *The Social and Political Consequences of Economic Reform: Tiananmen and the Future of a Chinese Bourgeoisie*

The demonstrations in Tiananmen Square in the spring of 1989 marked a watershed event in the reform era. As one author notes, 1949 witnessed Beijing residents welcoming the entrance of the CCP and People's Liberation Army (PLA) into Beijing; in 1989, demonstrators blockaded the PLA's attempts to advance into the square (Nan Lin, 1992, 19-20). Although similar movements in the history of the PRC preceded Tiananmen, this movement was more powerful and had different targets in mind. The 1911 revolution, although purposed in replacing the feudal components, was still driven by conservative actors; the May Fourth Movement, although driven by intellectuals and bourgeoisie, was mainly a movement targeted against the warlords and imperialism. Tiananmen, on the other hand, was unique among China's historical movements of opposition or revolution. To be sure, the grievances that caused the protestors to assemble in Tiananmen Square stemmed more from a lack of social democracy, and subsequently a desire to induce necessary reforms that the

party had failed to implement, more than they represented a liberal platform with a desire to replace the political institutions (Lin Chun, 2006, 211-212). Nevertheless, the Tiananmen crisis would come to reflect the changing social and political environment in China.

The Tiananmen crisis not only led by the young, educated and emerging liberal class in China, including a handful of entrepreneurs, but they were also directed towards the lack of political reform that persisted, in particular, the continuation of political institutions that bolstered privilege and elitism. As one author notes, it was the largest unauthorized demonstration - reaching over a million participants - to exist in the history of the PRC, as well as an unprecedented length lasting from April 16 to June 4 (Nan Lin, 1992, 21-22). The majority of contention emanating from the protestors in Tiananmen could be connected to several factors: rampant cadre corruption which had increased as markets and privatization proliferated; a rising inflation rate, which by 1989 had reached 35%; and the problems represented in the two-track pricing system (Nan Lin, 1992, 27-37).

Corruption was the most concerning issue to the protestors – a phenomenon that had been building with the transformation of economic systems. Corruption had been born out of two related issues: inflation and the two track pricing system. Inflation began to surface when the government began paying higher amounts for farmer's quotas than the state would receive in the form of goods, which would then be distributed in the market or work unit. Moreover, the multiple pricing system, which the state instituted in order to maintain low prices, created an environment ripe for abuse by cadres. Cadres used state resources to line their pockets: cadres in receiving would collude with those in distributing; and producers would attempt to acquire state controlled products that when sold for market prices would yield healthy returns (Nan Lin, 1992, 27-37).

By 1989, corruption had risen with force. It had morphed into privilege through nepotism and had become widely recognized by the Chinese people, who also recognized the state's inadequate attempts to eradicate this endemic corruption – especially in the cases of high-ranking members who were untouchable (Baum, 1994, 251; Nan Lin, 1992, 27-49). As one prominent liberal scholar noted a few years



before the demonstrations, the feudal influences that had become endemic in China's history had continued to exist in the reform era – in the form of cadres and their children placed within lucrative industries; with the presence of special privileges; and with the policy process, where output existed but without the possibility for an input process from society as an important voice in policy-making (Su Shaozhi, 1987). Thus the participants (mainly students, but also private entrepreneurs, intellectuals and workers) of the movement began to reflect on the inadequacies of the leadership and its ability to guide economic and political modernization. In more narrow terms, the participants did pick out important traits of the western transitions from feudalism to modern democratic systems. Realizing increasing privileges for the ruling class and exponentially decreasing quality of life and opportunity, the participants began to entertain a discourse around the importance of systems and values that characterized the western bourgeoisie in transition: capitalist systems free from state intrusion; the importance of private property and individual interests; freedom of press which ensured transparency; and a multi-party system (Nan Lin, 1992, 27-49).

Certainly not all these values were at the forefront of the movement, especially the idea of a multi-party system, but the movement was of significant importance nonetheless. It was important in that it signaled a shift in the intellectual discourse of China, where a 'New Left' broke off from the Liberals that had emerged in the first decade of reform. Their ideology differed in that they no longer agreed with a Chinese liberal discourse that believed in a 'legally impartial market, secured by constitutional amendments' for the realization of democratic systems (Wang Hui, 2003, 64-65). As Su Shaozhi articulated in 1986, China's constitution and laws had been ineffective in checking the actions of the party-state system - this was due to a lack of 'political democracy' - the absence of the freedom of press and direct elections, and the prohibition of protest against government abuses (1987, 64). The 'New Left', on the other hand, believed that only the power of social organization against the current order can bring about a truly democratic system – similar to the 1989 protest which afterwards realized greater marketization and privatization of economy and society (Wang Hui, 2003, 64-65).

The participants who spearheaded the Tiananmen demonstrations and comprised its

majority were university students; but by the end of May, a significant force of workers as well as substantial financial support from private entrepreneurs had emerged in support of the student's calls for democracy. As Baum notes, by the end of May when the party had imposed martial law, large numbers of social forces began pouring into the streets in support of the students' protests. The newly placed urban entrepreneurs, labeled the 'Flying Tigers', assisted the student demonstrators by providing money and resources, most notably of which came from the previously disaffected private entrepreneur, Wan Runnan, who donated U.S. 25,000 in support of their activities (Baum, 1994, 265-266). Following the crackdown in Tiananmen on June 4, Wan was blacklisted by the party with a select number of individuals, including Yan Jiaqi and Fang Lizhi (Baum, 1994, 289-290).

Although the Tiananmen protests were underdeveloped and relatively unorganized, and were premised not on a fundamental transformation of the political institutions, the events surrounding the unprecedented mobilization and activity in 1989 were significant for two reasons. One, they were a culmination of ten years of reform and opening to the outside world, of economic autonomy and its product - the rise of complex social forces - and most significant, of new and democratic ideas. Two, the significance of the protests in Tiananmen Square ventures beyond the social forces behind the movement: it was symbolic of a crucial point in the Chinese leadership at the end of the first decade of intra-party factional battles between hardliners and reformers, and thus ultimately, potential ammunition for China's conservative faction in not only halting economic progress, but even more alarming for the potential to revert to the Maoist model of personalized power. A regression would have reversed a decade's experiment and success in modernizing China, and it certainly would have prolonged even further the growth of the sociological forces that were historical antecedents of democratic reform. A Peking Review article noted Deng's position:

The drastic changes in the Soviet Union and Eastern Europe in the past few years have enabled Deng to come to the conclusion: As much as Right deviation can ruin socialism, so too can "Left" deviation...Deng firmly advocates reform and opening up in a bid to completely free China from the shackles of the "Left" influence of the "cultural revolution"...After the 1989 political disturbances in Beijing, "Left" talks were occasionally heard in China, which became more evident following the drastic changes in

Eastern Europe and the disintegration of the Soviet Union...If “Left” deviation were allowed to spread unchecked and the guideline of “taking class struggle as the key link” were pursued once again, China would again be plunged into the abyss of stagnation and internal strife (Zhai Wen, 1992, 4)

Deng Xiaoping’s strategic move in 1992 – his southern tour – marked the point where China would not depart from its previous decade-long model, but in fact, accelerate its activity. Thus, this pivotal moment in China’s quest for modernity seemed to mark an irrevocable economic decision of great historical significance, and which as a consequence, has raised the potential for the growth of a Chinese bourgeoisie.

## **Conclusion**

The forty-year period from 1949 to 1989 was a period of great economic, social, and political turmoil for China. The consolidation of the party’s power in 1949 was derived from complete social and economic exhaustion over years of a politically vacuous environment, and filled with political instability and military aggression both domestically from warlordism and internationally from imperialism. The social origins of the rise of the CCP came from the peasantry, amidst a failure to modernize and in this process, elevate the peasant majority. Thus, the bourgeoisie that had emerged within the Shanghai metropolis and which had peaked in the 1920s, had to accept the rise of this new political authority. To be sure, very possibly they welcomed it for no other reason than that an actual national and stable political authority was assuming authority over an environment that had been politically chaotic for over 30 years.

As a result the bourgeoisie initially felt that a supportive economic environment had finally arrived, and that their capitalist activity could resume unthreatened by a veritable political instability, not to mention due to the party’s initial proclamation that it would allow the capitalists to persist without fear of class persecution. This would prove to be an erroneous assumption. To be sure, the first few years proved hopeful for the bourgeoisie. But it seemed that for Mao it was more of a way to use the bourgeoisie to solidify the party’s power. If the bourgeoisie were seen as a

tolerated or even useful sociological component, this had come from others within the party – such as Liu Shaoqi or Deng Xiaoping. As a result of Mao's distrust of the bourgeoisie and ideological opposition to capitalism, he would by the end of the first decade of power crush the bourgeoisie through the party's preferred methods for socialist reconstruction: mass campaign and mass mobilization. The Five-Anti Campaign in particular not only crushed the bourgeoisie; it demoralized any remaining elements, and set a pattern in motion that would come to define the relationship between the party and China's property-owners.

The GLF and GPCR that followed would further destroy the social, economic, and political fabric of pre-revolutionary China. The GLF was an attempt to modernize China by following an economic model for development based upon Mao's socialist ideals: to use the power of China's masses to transform the nation. It proved to be a flawed approach in both its economic and political assumptions. In the aftermath of the GLF, Mao's closest advisors presented alternative methods to re-instill life back in to the economy – all of which, as long as they remained alternative to Mao's idealistic model, would be associated with revisionist policy. Thus, the GLF created the seeds for the GPCR four years later – the last of Mao's campaigns that would seek to weed out and reeducate the revisionist elements that he believed had grown around him.

The reform era - and the liberal leaders who created it - was a direct response to the Maoist era: new policy, which not only supported liberal economic growth but that also sought specific political reforms, was crafted in order to prevent the destruction caused in the first three decades of the PRC. Deng Xiaoping, who witnessed first hand the economic, social, and political consequences of Mao's personalized and infinite power, and the policies he implemented, was well-placed to turn the tide of China's failed attempts at modernization. He exuded pragmatism as he placed China on a path towards economic recovery and growth in 1978. In unprecedented fashion in Chinese history, the stable political authority in power, in the CCP, rescinded much of its economic control and allowed for the growth of a private sphere. The sociological and political consequences of this move in 1978 were most emphatically observed in 1989 in the Tiananmen demonstrations.

Bourgeois society in China – as an economic, legal, cultural and political category –

was eclipsed in the years of radical experimentation with building a socialist society. The turn to reform after 1989 has released the economic and sociological formation of a bourgeois society again, and indeed allowed it to reach unprecedented heights. But the bourgeoisie only exists as an economic and sociological thing in itself – as Hegelian/Marxian analysis would put it – it is some way from being a thing for itself, lacking the political maturity and associational and legal forms that would allow us to say that China has a bourgeois society. Over the next three chapters this thesis explores the possibilities on full bourgeois transition.

## **6. China's Private Entrepreneurs: Towards Rationalization and Secularization**

### **Introduction**

This chapter looks at the research question surrounding the rationalization and secularization of the entrepreneur: 'To what extent have markets created opportunity, and in turn, private space and activity in the form of private entrepreneur and private enterprise?; and as a result of this, to what extent are China's entrepreneurs becoming rational and secular?' In a Mooreian context, how has China's entrepreneurial sociology responded to the proliferation of markets, and how has the newfound economic freedom influenced their ideological independence? The first section examines the growth of the private sector and private entrepreneur in contemporary China. China's market transition has shifted relations from the state as redistributor of the producer's industriousness to an exchange-based relationship between buyer and seller. Most importantly, this implies a significant shift in power attached to those who control economic resources and production: the entrepreneur's acquire power while the state's agents' power slowly diminishes. Naturally following this transition has been the accelerated growth of private enterprise and private entrepreneur, as well as the entrepreneur's increasing contribution to state and society in the form of state revenue and job growth. As a result, we can observe the rise of the entrepreneurs' economic power and their initial departure from the grip of the state – from an economic *and* ideological dependence.

The second section assesses the rise of the rational and secular entrepreneur in contemporary China, which has evolved from the proliferation of markets in China and the subsequent independence that the entrepreneur has experienced. Personal interviews revealed the emergence of a rational entrepreneurial class. They indicated an emphasis on the search and identification of market opportunities, and the desire to capitalize and profit from them. The contemporary entrepreneur equally demonstrated a desire for business expansion and capital accumulation, as well as not only an emphasis on innovation and creativity, but also a clear position that China needs to

develop native innovation in order to continue its growth and prosperity. Furthermore, they indicated a clear demarcation between previous generations, specifically their parents' pre-reform generation, and those since the reform era, and the differences in the physical environment as well as individual mentalities between these generations.

The chapter closes with a discussion on the secularization of the entrepreneurial class: the extent to which they have uncovered the purported omniscient claims of state ideology – similar to the dogmas posited by the church and state in the western transition; and in turn, the entrepreneurial class has grown ideologically independent from the state. Media accounts indicate a general population that is beginning to assess the ideological guide of the state, evaluating its validity and purpose, and its contribution to China's new economic and social sphere, and in turn forging a path of independent thought. Furthermore, personal interviews revealed the entrepreneurs' conscious assessment of China's past ideological validity, including personal accounts of state controlled education that provided no room for individual thought, and, the consequence of this as China's economy opens and sociology evolves. Ultimately, evidence indicates the evolving rationalization and secularization of the entrepreneur – the first stage in their liberal development and an important step in severing its former absolute dependency on the state, and for creating the foundation for the growth of legal and political characteristics.

## **6.1 The Growth of the Private Sector and the Rise of the Private Entrepreneur**

The growth of China's entrepreneurial class and its growing recognition within and outside of China has been achieved first and foremost as a result of the state's retreat from economic control and production – and the subsequent growth of economic freedom. This process of market transition is important in that it replaces the traditional actors behind the production and distribution of resources, and in turn, shifts power from one group to another – from agents of the state to agents of capitalism. In this process of economic transformation, the former system represented by a vertical economic integration (the state as the redistributor) erodes, and a system

of horizontal economic integration (exchange between buyers and sellers) rises in its place (Nee, 1989).

The market growth that China has and continues to experience is one of historical importance due to at least the intention to develop the national economy and promote entrepreneurship, all under the watch of a relatively stable and unified political authority. Though dynastic China boasted significant commercialization as early as the 14<sup>th</sup> century, this economic activity intentionally (on the part of the Chinese state) remained founded upon traditional modes of production, using agriculture and peasantry to produce while neglecting the importance of investment and technological growth. In turn, the growth of entrepreneur remained limited, as did its economic, cultural, and political power. Furthermore, though by the 1920s parts of China, particularly Shanghai, were representative of market economy and even native industrialization and subsequently an observable liberal entrepreneurial class, their ability to grow in number was inevitably halted, related primarily to years of resistance to growth on the part of the Chinese state as well as the politically vacuous environment after the fall of dynastic China.

China's reform era has in many ways resolved former obstacles to market and entrepreneurial development. The result of this newfound sphere of economic freedom was evident around the country, in the rural reforms in the 1980s, and more importantly, through the urban focus beginning in the 1990s. As the opening page of a 1992 Peking Review volume noted:

Talk about accelerating the reform and opening up is heard everywhere in China today. The talk, moreover, is being translated into action as China continues to bustle with economic activity. Urban reform is focused on enterprises. State enterprises, oriented towards the market, should change their management mechanism in order to gradually become independent business entities which assume sole responsibility for their own profits and losses (Dai Yannian, 1992, 4).

As formerly noted, the party's decision in the early 90s to accelerate economic development was significant in that it provided for greater economic freedom and encouraged the further growth of private entrepreneur and private enterprise. In



comparing three periods of growth of the private entrepreneur and private enterprise between 1989 and 1998, we can see the accelerated growth of this private sphere from 1993. In the first stage (1989-1992), the ‘low stage’ of growth, private enterprises grew by less than 49,000 units and private entrepreneurs by less than 300,000 members. The second stage (1993-1995), on the other hand, was characterized by ‘high-speed’ growth; private enterprises grew by over 400,000 units and private entrepreneurs increased from 514,000 to over 1.3 million members. In the final stage we can see a steady continuation of the growth that first commenced in 1993 (Zhang Houyi, 2000, 225-226), as indicated in Table 1.

**Table 1: The Growth of Private Enterprise and Private Entrepreneur, 1989 - 2009**

Year	Private Enterprises (registered)	Private Entrepreneurs (registered)
1989	90,600	210,000
1992	139,000	
1993	238,000	514,000
1994	432,200	889,000
1995	655,000	1,340,000
1997	961,000	2,042,000
1998	1,201,000	2,638,000
1999	1,508,900	3,324,000
2000	1,762,000	3,953,000
2001	2,029,000	4,608,000
2002	2,435,300	6,228,200
2003	3,006,000	7,728,000
2004	3,651,000	9,486,000
2005	4,301,000	11,099,000
2006	4,981,000	12,717,000
2007	5,513,000	13,965,000
2008	6,574,200	
2009	7,401,500	

Source: (Zhang Houyi, 2004, 313); (Zhang Houyi, 2006, 251); (Zhang Houyi, 2007, 307); (Zhang Houyi, 2009); (Zhang Houyi, 1999); (Zhang Houyi, 2011); (Zhang Houyi, 2005, 329)

Thus, by 1993 the growth of the private sector was not only resumed but in fact had accelerated - the significance of which can be attributed to Deng Xiaoping and his southern tour in wake of his intent to not only continue reforms but to prevail in the culmination of a decade-long intra-party factional battle between hardliners and reformers. As noted from Deng Xiaoping's conclusion of his southern tour: 'Deng repeatedly expressed his hope that people should be bolder in reform and opening, dare to experiment and not act as a bound-feet woman. When one is sure of the worth of an endeavour, one should have a go at it boldly and dare to make breakthroughs' (Zhong Shiyou, 1992, 4). Furthermore, the party's economic policy had shifted in intensive fashion towards the further independence of the economy – with specific reference to enterprises and entrepreneurs. As Li Peng stated in a speech in 1992,

In the cities the focus of reform is the industrial enterprises. Now the operative mechanism of state control of the enterprises has changed. Direct intervention by government of various levels in the operation of enterprises has been reduced...the state gives play to the regulatory role of the market and tries its best to use economic and legal leverages to exercise macro-control as to balance total social supply and total social demand and to optimize the economic structure...for business people, China will definitely mean many opportunities for investment and partnership' (Li Peng, 1992, 12)

Furthermore, in an interview in 1992 with a State Commission officer, once again emphasis was placed on the privatization of the economy, specifically allowing greater independence for private enterprises, which became a major theme in this period. As the interview noted, 'At present the most important task is to break 'the iron rice bowl' and introduce a distribution system of 'more pay for more work'; and to allow some enterprises to 'gradually adopt a new distribution system – fix wages according to ability' (Peking Review, 1992, 14). Furthermore, the official articulated how the system of officials within enterprises, and the unique and exclusive place they occupy within the enterprise, would also be phased out: 'The different treatments between cadres and workers will be eliminated and employment of managerial personnel will be based on the principle of openness, fairness, competition and selecting only the best' (Peking Review, 1992, 14). Thus, although the implications of

the Tiananmen Square movement in 1989 resulted in the party's condemning of capitalist-related institutions and actors, the return to privatization and economic independence in turn fueled the growth of the entrepreneurial class. Furthermore, there was also a renewed discussion of the middle class in academic circles – especially focused on the middle class as a sociopolitical stabilizing force and for the purpose of influencing central policy. Thus, from this point forward, the middle class became increasingly central to party policy (Li Chunling, 2009, 50-51).

As a result, the party has been forced to strategically adapt to the growth of this newfound economic sphere and its sociological attachment. Most noteworthy are the implications of this economic growth for the future of state-society relations and power distribution. Prior to this growth, the state determined cultural precepts through ideological diffusion and pre-determined social relations. With the advent of economic freedom, society is not only increasingly in control of developing the prevailing philosophical framework, but furthermore they are forcing a shift in power from state to society, causing the state to shift its strategy from creating governing precepts to engineering the philosophical growth in a way that legitimizes and supports its absolute authority.

Towards this end, the party has provided apparent concessions to appease these new societal elements. For example, in the 1990s the government began to emphasize the legal registration of private enterprise. At a meeting in 1986, and publicized through *Guangmin Ribao* and *Jingji Ribao*, private enterprise was deemed as 'unavoidable'; its effects demonstrated greater benefit than they did harm, and, its development could be controlled and molded (Zhang Houyi, 1999, 243). Furthermore, at the party's 14<sup>th</sup> Representative Assembly it was emphasized that conditions should be created in order that various kinds of economic systems of ownership could equally participate in market competition (ibid, 244). Finally, as described in greater detail in the following chapter, the party also attempted to add several constitutional inserts that act to define and protect private property; but without constitutional governance and the continued existence of the party as the absolute authority, these measures remain ineffective.

Finally, as a result of these developments, we can observe the benefits of the emergence of this private sector – both for the state and for society. Table 2 reveals that in 2001 the total amount of revenue received by the state from tax related to entrepreneurial productivity amounted to over 41 billion RMB; and by 2004 the total number of employees reached 40,686,000 and the total amount of registered capital reached 4.8 trillion RMB.

**Table 2: Private Entrepreneurs’ Contributions to State and Society**

<b>Year</b>	<b>Employees</b>	<b>Total Registered Capital (RMB)</b>	<b>Tax Revenue from Industry and Commerce (RMB)</b>
1992			460,000,000
1994			1,750,000,000
1995	8,220,000	262,170,000,000	
1996	-	-	6,020,000,000
1997	11,451,000	514,010,000,000	
1998			16,300,000,000
1999	16,992,000	1,028,730,000,000	
2000			41,440,000,000
2001	22,530,000	1,821,220,000,000	
2003	33,158,000	3,530,490,000,000	
2004	40,686,000	4,793,600,000,000	

Source: (Zhang Houyi, 2006, 251); (Zhang Houyi, 2003)

As a result of this newfound economic freedom and the growth of the private sector, an increasingly complex middle class has also emerged, seen in the emergence of sub-components within the middle class. China’s contemporary middle class, according to the Chinese political sociologist Li Chunling, can be sub-categorized into four groups: the capitalists (private entrepreneurs); the new middle class; the old middle class; and the marginal middle class. As she articulates in reference to the capitalist component,

the entrepreneurs are in fact not only active in the economy, but they are also developing political characteristics:

private entrepreneurs, or the capitalist class, are active actors in the economic field and might become political actors in the future. Actually, this group has been increasing in its political influence, especially at the local level. But its influence has been restrained by the central government, because top CCP leaders remain suspicious of the group's political loyalty (2010, 144).

The new middle class, in the public and private sectors, are those who fall under the areas of official, professional, or manager; the old middle class are the small business owners with typical middle class incomes; and the marginal class are those in 'low-wage white-collar' positions (Li Chunling, 2010, 143).

China's private entrepreneurs are now the core component to China's contemporary middle class (Lu Hanlong, 2010, 120). Despite their diminutive history in China, they have emerged as an industrious and prosperous class, fueling China's economic development and benefiting the Chinese nation – both state and society. As Lu Hanlong notes,

The social and political status of private entrepreneurs has improved markedly, and the private economy plays an increasingly important role in the national economy. Even though private enterprises still face many challenges – such as attracting financing, improving product technology, and implementing corporate social responsibility – in the past three decades of reform and opening up, China has nurtured a spirit of entrepreneurship and a generation of new entrepreneurs. This appears to be social progress (2010, 120-121)

The past twenty years have provided the space and opportunity for an entrepreneurial class to emerge, the impetus which came from the party's sanctioning of the new capitalist organization and its sociological product. Deng Xiaoping's 1992 southern tour, which sought to confirm the decision to open up in 1978, and continue these reforms despite the social and political consequences that had begun to emerge in the wake of the Tiananmen crisis, created the foundations for the accelerated emergence of the private sector: proliferating markets, private enterprise, and private

entrepreneur. China's private entrepreneurial class has continued to grow, and they have indeed capitalized on the increasing opportunities presented to them in the growth of markets, and they have emerged more rational and more philosophically independent as a result. It is to this end – the rationalization and secularization of the entrepreneur - that the discussion now turns.

## **6.2 The Rise of the Rational and Secular Entrepreneur in Contemporary China**

### *Market Opportunity and the Rationalization of the Entrepreneur*

As aforementioned, the rise of the bourgeoisie first began with the advent of markets within the emerging capitalist organization, creating opportunities that previously were absent as long as the state controlled production and distribution. This in turn facilitated the rise of individual rationality and secularization - the first stage in the historic evolution of the bourgeoisie. The entrepreneur emerged rational in the economic sense of the term: In England, for example, the capitalist class came to see land (and its use for the lucrative wool market) as something to be bought and sold, to be used not for consumption and obligation, but instead for maximizing production and profits. From this, the entrepreneurial class also became secular, that is, detached from the relentless control that the state had exercised over them. The rational engagements within the capitalist environment, including, independent, self-motivated decisions and horizontal exchange relationships based upon contracts, all acted to demystify the dogmas that had been purported by the state prior to transition. In this stage the entrepreneur developed a rational framework and a secular outlook – that first defined the philosophy and movement of liberalism - from which they would come to build an interest-based platform and rights-based initiative.

In China we can observe the correlation between the rise in economic power described above, and garnered from the rise in opportunity associated with economic freedom as well as the decline of the state at least in the economic sphere, and the

subsequent rise in a rational and independent entrepreneurial class. A recent survey conducted with a sample size of 2,000 entrepreneurs indicated that the entrepreneur's primary reasons for pursuing entrepreneurial activity are in order to acquire wealth and gain independence. When asked 'What was your main motivation in starting your own business?', the majority of respondents answered either 'to make more money' or 'to be independent and "be my own boss"' (see Table 3).

**Table 3: Motives for Engaging in Market Opportunities**

	Entrepreneurs	Aspiring Entrepreneurs
To make more money	30	31
To be independent and "be my own boss"	46	51
To exploit an opportunity to develop a product or service	10	8
To be innovative	6	4
To make a difference for society	5	4
Other	0	1
Don't know	3	0

Source: Nathan Gamester. The Legatum Institute Survey of Entrepreneurs: China 2011

Survey results of private entrepreneurs published in 2005 in 私营企业发展报告 (Private Enterprise Development Report) also revealed similar responses and findings. When asked 'what was the most important reason for establishing your private enterprise?', the entrepreneurs overwhelmingly responded in a rational way. Over 20% responded with 'to achieve greater value in my life; 16 percent responded with 'the previous working environment did not allow for the development of individual abilities'; and 15% responded with 'the compensation in the former work unit was too small' (Ao Daiya, 2005, 65).

Furthermore, personal interviews with entrepreneurs revealed a veritable desire on their part to engage China's environment of economic freedom, specifically, the opportunities presented in emerging markets, revealing also the growing

rationalization of China's entrepreneurs. Some examples will help illuminate this phenomenon – of entrepreneurs locating and capitalizing on opportunities. One of the fastest growing markets in China is the mobile technology market – that of smart phones, tablets, and the like, and the markets within this industry. One entrepreneur, realizing the opportunities available, developed a particular mobile app in China that caters to the female population; as she told me, there is an overwhelming number of mobile apps for men, but very few for women, so she created a mobile app for women – premised on the concept of pet raising. Her ultimate objective with this app is to foster brand advertising through the attachment between user and pet and their various interactions - such as coupon collection with the elephant's trunk. Important in this case is not only her creation of a mobile app, and the complexities of the design, but more so a recognition to target a specific and underrepresented demographic (Witness 17).

Another entrepreneur recently developed a business that targets an emerging market in China – that of a food supply that is safe and of high quality. While discussing his business he noted 'We are attempting to try all the new things that no one else has tried' (Witness 18). The significance in this case, as the entrepreneur revealed in a nearly 4 hour interview, is the fact that his rationality extends beyond the identification and engagement with this market; his motivation also involves combating what he termed 'the bugs' in China, or the connection between the one-party system and various unchecked abuses of political power (discussed in further detail in chapter 7). Although food safety issues related to Chinese sourced products are pervasive, as he explained, even in the well-known foreign supermarkets in China the food supply conditions can be precarious. A recent example is the claim that Carrefour was selling a particularly toxic fish - called 'Oilfish' – that they labeled as cod, which has gained significant attention in the media and in China's growing internet discussions (Ji BeiBei, 2012). As this entrepreneur noted, this issue of food safety gained most of its activity after a famous Chinese actress (Ma Yili) was affected by the fish, who subsequently initiated a discussion on a microblog of the endemic food safety issue; and as is commonly the case with these sensitive issues - it ended up going viral (Witness 18; Ji Beibei, 2012). Most important is the entrepreneur's note on the corrupt activity behind this phenomenon, or one of 'the



bugs' associated with the one-party system, which he has attempted to combat by developing his particular business. As he stated:

Food safety is very bad in China. There are problems with regulation. In China you have to pay membership fees as suppliers, so fake products make it to shelves while real products are turned away - they call them channel costs. In China we have government departments to check food safety, but, they are doing nothing. Every time they will wait for the complaints; if they don't complain they will sell and the trouble will continue. Even if customers complain they still won't do anything. The reason why this came to the fore, the Carrefour issue, is because it affected a famous star who posted this on weibo. In China we cannot rely on government related institutions for food safety checks. The government institutions capitalize on profiteering and thus allow poor safety standards to continue (Witness 18).

Two final examples will help illustrate the link between entrepreneur, opportunity, and rationality in contemporary China. One particular entrepreneur has successfully established a western themed restaurant business in Shanghai. What is interesting about this particular entrepreneur is his degree of success in this industry, considering the fact that he is Chinese and his restaurant is founded on an American theme. This restaurant has become a go-to spot for expats: on weekends you'll wait at least an hour for a table; and during the week you'll be hard-pressed to find a table at lunchtime without a wait. He has recently opened a second location (after delay as a result of arbitrary government intervention), and with urgency, since as he noted - he must spread his restaurant's name before others identify his success and copy his model (Witness 9). A final example is a Shanghai entrepreneur who essentially conjoins the emerging start-ups, that although hold ideas and business models with significant potential, are without necessary resources, such as investors, equipment, and a collaborative working environment. His business is what is known as the business incubator enterprise. In other words - his purpose is to bring together as many of these emerging entrepreneurs as possible. In early 2012 he opened a second location - four times the size of the original location (Witness 7).

In the first section of the interview schedule, which measured the degree of rationalization in China's entrepreneurial class, question three ('How do you feel about China's new market economy and new societal wealth?') in particular sought to probe into the minds of the entrepreneurial class and understand their feelings on the markets and wealth that have come to define contemporary China. In terms of those who clearly identified with the benefits of markets and wealth, the responses were revealing. A *Baling Hou* interviewee stated the following in response to this question:

I think this [markets and wealth in China] is what attracted a lot of *haigui* to return – because they see a lot of opportunities. They know the culture compared to foreigners who come to Shanghai to start up, and their parents are in China. The [speed of the] growth is not necessarily a good thing. For the US or Europe, the development takes over in 100 years, but China is trying to do that in 10 or 20 years. For KFC, for example, they want the Chicken to grow fast; but you can't obey the natural law in order to get this much chicken. So they have to put something in the chicken to make it grow. So I would say that is exactly what is happening in China. What I think is missing for the back of China's growth is a revolutionary creativity. Because it is growing relatively well, it can purchase technologies from other countries; but by doing that you are not encouraging your own technology to grow...this then can be a problem in the future. China is trying to get away from having this image of being the world's factory. By doing that it is encouraging creation or technology development (Witness 7)

In late 2010, the China Daily reported on a young woman, and now entrepreneur, who capitalized on China's newfound economic organization and the opportunities that it increasingly provides. Cao Shun was a young success in China, who at an early age elevated herself into a position at a foreign company (an office manager in a top 500 company in Shanghai) where she enjoyed a high salary (75,000 USD per year) and quality of life. Though initially resembling what she thought was her dream, after several years of work she realized that her dream rested within the world of entrepreneurship. Her position was associated with long hours and a very stressful environment, which in her mind was not consistent with her dream. Despite the monetary security in this position, she decided to leave the company and establish her own business in the baking industry. Though many discouraged her from this seemingly irrational idea, she applied what transformative thought and experience she

had acquired through her interaction with China's markets to her newfound enterprise; and this led directly to the overwhelming prosperity of the enterprise (Wang Yan, 2010).

The majority of the entrepreneurs' responses to the first section of questions were rational in nature: they indicated a stark difference between their parents' generation and the post-reform generations, as well as the specific opportunities and wealth now available to them, and their desire to take advantage of this newfound environment. First, it is important to point out that the interviews overwhelmingly exhibited a clear understanding of the entrepreneur's demarcation in the business environment in comparison to their parents' generation. As one entrepreneur noted,

for their [parents] generation they have ways of thinking in life, specifically a more manufactured way of thinking. So many things are the same for that generation, their paths are the same...for us we are losing what we had before very quickly. For their generation nothing changed, for ages really (Witness 7)

One particular entrepreneur had recently moved from a white-collar well-paid position with Hyundai and Sino Consulting in order to begin his own consulting firm. At the time of the interview, he had already indicated a high level of success in his venture. This move alone – from the white-collar private sector to his creation of a consulting firm – indicated his rationality in shifting his focus towards the opportunities that are growing within the opening of the economy. In the interview he stated that 'he wants to enlarge his company, to make the company bigger for the future...since they want to enlarge the company as much as possible, they also want to make the system better in order to realize this outcome' (Witness 1). As he reveals later in the interview, his comment on the 'system's improvement' is in reference to the ongoing issues that China's entrepreneur's face in terms of property and the rule of law, specifically related to issues of taxation as well as a legal system that fails to protect private property. But most relative to the evaluation of the level of rationality in China's entrepreneurs is this particular business owner's comment in response to the question 'As a result of China's modernization, do you feel that a new mentality has emerged in China's entrepreneurs?'. In response he stated:

In the old times when they had a certain income they were content with this fixed amount; but now they are not happy with the status quo. They want to keep pace with the development, and they are open and see the ways that other countries have prospered and want to maximize on opportunities (Witness 1).

One of the longer and more liberal interview experiences was with a Beijing entrepreneur, who began his own enterprise about 10 years ago after leaving employment at a State-Owned Enterprise (SOE). His enterprise represents US construction material manufacturers in China with the objective of introducing their products and technology in the Chinese markets. In response to the question ‘How do you feel about China’s new market economy and societal wealth?’ he stated the following:

People like money and they like to live a better life; they like to enjoy the benefits of wealth. I think most Chinese are still in the stage of getting money, but they don’t know yet how to enjoy the money. I think the second generation after me will be able to enjoy the actual wealth that is coming to China, maybe 20 to 30 years from now... Right now the society is changing quickly, so everyone wants to find a better place in society. Everyone has opportunities to get money, and if they can find the right position then they can change their position in society – even a small chance could change the position of a person. For example, like us, if we could find a big project tomorrow we could win a million dollars – that is possible and in fact everything is possible in China right now. It is like the gold rush in China right now – everybody finds chances. My company is no different: we try to find the right products, represent them here, introduce new materials and technologies; when we find the right chances - like the Birds Nest – we will be rich tomorrow (Witness 5)

And in response to the following question – ‘As a result of China’s modernization, do you feel that a new mentality has emerged in China’s entrepreneurs?’ he proceeded to say:

I think it takes time. Right now society is changing so quickly. When the entrepreneurs own something they will begin to think differently. Right now many people in the middle class are not stable, but when they are stable and gain enough money then they can begin to do something, to think at the next level. Right now they are still rushing, trying to get more money, but they are not yet stable. For example, next time they invest in a project,

maybe they lose that money; today I am poor, the next day I am rich, but the next day I could be poor. I think after sometime, maybe 10 to 20 years, after society has become stable, then people will begin to think in a different way (Witness 5)

A *Baling Hou* interview in Shanghai provided a particularly liberal and revealing response to the question ‘How do you feel about China’s New Market Economy and Societal Wealth? In his response, he connected what would be the usual economic response with the influence that China’s economic freedom has on the evolving mentality of the entrepreneurs: the economic freedom and wealth in China is good; and it is encouraging the entrepreneurs to think past a purely economic mentality of getting rich:

I think in China things are not balanced. You can work and have nothing and then you have a chance and can have money, it is like a gamble. I ask why are the rich very rich and the poor very poor? If you have an apartment in Shanghai 10 years ago, you can now be rich because 10 years ago the apartment is a low price, but if you don’t have an apartment you cannot afford an apartment now. Is it good or bad? It is good, you have this chance to make money. Now you can realize your dream and your dream can come true. After you earn money and realize a greater quality of life your mind will change, your way of thinking about all of China (Witness 9)

And when asked ‘As a result of China’s modernization, do you feel that a new mentality has emerged in China’s entrepreneurs’, this particular entrepreneur further elaborated on this observable shift in the mentality of the contemporary Chinese entrepreneur compared to past generations of entrepreneurs. As he responded:

Of course there are changes. For my parents’ generation everything is different, even their way of thinking, the education and ideology was also different. The thing the previous businessmen cared about was how to earn money; the things I care about now are not only the money but also how I can develop my business and make it prosper. For example, if you give me a choice now of course everyone wants to get money; in this business environment you can get a lot of money nowadays. But instead of getting rich fast, I want to develop my business and take the long-term approach (even if it is less profit in the short term). The biggest difference is that before people were doing business just to get themselves food and clothes, to make themselves fat, and that is why they only care about

money. But now they are not just fat and have clothes but they also have a house and other things, so now they are thinking further – about development (Witness 9)

As indicated in the table in Appendix 5, the researcher was able to interact with several entrepreneurs over a period of time, opposed to limiting interaction with all entrepreneurs to the one interview session. The Shanghai entrepreneur, mentioned above (witness 9), was one of the entrepreneurs with which the researcher had the opportunity of meeting a second time. In the meeting, the researcher asked him how his business was doing, specifically, in relation to the frustrations he previously expressed in attempting to open a second restaurant. He said that he had found an alternate location that was approved by the government; but more importantly, he proceeded by describing why he must move quickly to expand his business, thus reflecting his growing rationality. As he explained, he must move quickly in expanding his restaurant, not only with a second one but even additional locations, since he knows that in China, where the act of copying proven ideas is pervasive, there is no guarantee that his successful business model will remain protected. His only recourse is to expand in quantity and quality in order to establish an exclusive identity for his enterprise.

As the researcher was concluding an interview in Shanghai in the spring of 2012, the entrepreneur stated: ‘The main reason why I created my company is to create freedom for myself’ (Witness 18). This is reflective of the mentality of China’s emerging entrepreneurial class: they recognize the opportunities available to them as a result of significant economic reforms, and they have sought to capitalize on them in order to enjoy personal freedom, and in doing so to pursue individual interests as well as respond to market demands, and ultimately to secure wealth. The evolution of a rational entrepreneurial class has been a significant sociological consequence of the shift in economic policy in 1978. The continuation of capitalist development in China should also continue to fuel the growth of not only an entrepreneurial class but also one that is increasingly rational, as well as one that exercises a new mentality: one of independent thought and one that shatters the former mystical perception of the political authority and its ideological precepts. This secularization of the entrepreneurial class is the focus of the following section.

### *The Autonomy and Secularization of the Entrepreneur*

With reform now over 30 years in the making, the sociological product of capitalism is not only increasingly antithetical to the state's ideological framework - it is equally carving out space for which it has begun to establish its own philosophical foundation in stark opposition to the state. As Feng Chongyi noted in his historical analysis of Chinese liberalism, the root of the problem for China and its continuation of autocracy has been not the autocracy itself but instead the lack of accountability by the people. In reference to Hu Shih, one of China's liberal proponents, he states ' "Now China's biggest root cause of this trouble, equally is not the warlords and evil bureaucrats, but still is the lazy mentality, superficial thinking/ideology, living at the mercy of superstition and blind faith, and an attitude of viewing ones trouble's with indifference. These things are our greatest enemy! They are the politics of our ancestors" ' (2004, 30). Thus, the first stage of liberal development that is emerging in China, and that is a direct response to the advent of economic freedoms, foreshadows the rise of a liberal entrepreneurial sociology - that if decisive in its move to respond to the absence of the constitutional rule of law, and to increase independence from the state, instead of its dependence on the state and the exploitation of the coercive state apparatus - will be in demand of the constitutional rule of law and democratic process.

China has arrived at the point that its reforming hardliners had feared ever since opening up in 1978 – that of the diminishing ability of the party to control the swelling of forces emerging below, and in particular, the liberal nature of its growth. The reforms Deng Xiaoping commenced in 1978 were significant: they represented an unprecedented move in China towards capitalist economic reform sanctioned by the communist party and in stark ideological contrast to the party's foundation of Marxism-Leninism, and Mao Zedong Thought, and they have slowly eroded the party's longstanding claim to ideological omniscience. A recent media piece out of Hong Kong illuminated the growing concern, both on the part of the party and on the part of society, of China's continued lack of political reform (Shi Jiangtao, 2012). As the article notes in tracing China's economic and political development from Deng to (the anticipated) Xi Jinping later this year:

Deng's 1992 trip virtually saved the party as well as Deng because the credibility of one-party rule had been at stake since the 1989 crackdown...But Deng's southern tour had its limits. It focused mainly on economic problems in an attempt to break away from Marxist dogmatism, but made no mention of political change. It did nothing to restart political and cultural developments that stalled after Tiananmen...to many analysts, the lack of substantial political reform has induced major political, cultural and moral regression on the mainland over the past two decades. Beijing's all-out pursuit of high growth has not filled the void left by the bankrupted communist ideology, and neither have efforts to revive traditional Confucian values (Shi Jiangtao, 2012)

China's continued embracement of capitalist organization has created the foundation for the emergence of an entirely new sociopolitical order as the previous social and political institutions, which had socialized and controlled the socioeconomic sphere, have eroded. As indicated above, the entrepreneurial class has commenced its liberal evolution as it has demonstrated its attachment to economic individualism, opposed to economic dependence on the state, engaging in opportunities for profit and social elevation via the marketization of the economy. In turn, the entrepreneurial class' prior subordination to the dogmatic ideologies of the state is diminishing; and in its place a void is left for the growth of a new philosophy.

As a recent media article noted, the cultural conformity of society to the state's official ideology has been successfully managed by the CCP, and has been imperative for its continuation as the sole political authority (WSJ, 2012, 9). Furthermore, economic progress has been one key variable in ensuring a sociology that aligns with the party's ideology; that being said, in recent years, despite economic progress, the cultural product of this economic progress is beginning to display itself within society and is increasingly opposed to the state's ideological absolutism. Empirical evidence suggests that the inevitable products of modernization - in this case the rise of a rational and autonomous entrepreneurial class - is increasingly secularized towards the state's dissemination of its official ideology. Thus, the party – rightfully concerned over the growth of a sociology increasingly secularized towards its absolute truths - has recently responded with a fervent ideological nationalism.



Hu Jintao's recent ideological campaign is one indication that the CCP is implicitly acknowledging its declining ability to manage the social products of modernization, and is thus increasingly scrambling to legitimize its authority through the socialist mechanism of ideological rectification. In Hu Jintao's recent excerpt in the party's ideological periodical, *Qiu Shi* (Seek Truth), he states 'we must clearly see that the international hostile forces are stepping up strategic attempts to westernize China, and ideological and cultural fields are a focus for long-term infiltration' (2012). Furthermore, recent reports indicated an attempt by Hu Jintao and the political elite to reassert the party's ideological indoctrination over the forces of society by inducing a contemporary-type cultural revolution (WSJ, 2012, 9). As one article notes:

Beijing is turning up the Cultural Revolution rhetoric in Hong Kong again. In recent months, state-owned media and Chinese officials vilified a businessman for donating money to opposition politicians, labeling them American stooges. They then threatened to expel the U.S. consul general for allegedly interfering in local politics. Even the local head of the Catholic Church was blasted as a "political mercenary." (WSJ, 2012b, 9)

A major strategy within the party's nationalistic campaign has been the explicit support for dictators and autocratic regimes around the world, including North Korea and the recent unrest under various regimes in the Middle East. In terms of Beijing's relations with North Korea, it disregards international norms related to the expatriation of aliens to repressive states, and forcibly returns refugees to North Korea on a regular basis where they face imprisonment and death (Kirkpatrick, 2012). As one author notes, although Beijing supports these autocratic regimes (including in the Middle East), it has recently faced less support from the people, most notably, for the party's heavy hand throughout China, and not in least as a result of China's newfound economic freedom and independent entrepreneurial growth (WSJ, 2012c).

Finally, the party's recent ideological campaign to continue a longstanding method of ideological rectification - to disseminate the legacy of Lei Feng throughout society - is a direct response to the recent growth of societal unrest and disaffection with the party's authority. As one of the party's main propaganda mediums stated,

‘ “Through the campaign ‘To learn from Lei Feng’...we need to give new and relevant meanings to the ‘Lei Feng Spirit’ – that is to fervently promote Lei Feng’s passions to love the motherland...and his love for the supreme ideal of socialism in order to guide people to strengthen their nationalist sentiment” ’ (Zhai, 2012)

The party’s emphasis on Lei Feng is symbolic of a centuries-old approach, that of resorting to the belief in the moral perfection of the individual, and employing ideological rectification campaigns, through educational institutions and media, if not social mobilization, in order to purify both state officials and societal actors. Historically, this has proved effective in the absence of economic freedoms and their marked effect of liberating minds from the shackles of the state’s absolute truths; thus the push for governmental accountability, checks and balances, legal institutionalization, and the like, was successfully circumvented. In contemporary China, the effects that economic freedom is producing in the way of liberating minds and creating a secularized sociology, particularly among the entrepreneurial class, is proving much more difficult to indoctrinate, and should be a cause for concern throughout the party. As a South China Morning Post article continues on the Lei Feng campaign:

March 5 became a remembrance day for Lei Feng on the mainland. And like all such drives, its real purpose was to reinforce the communist system itself. So every time the party leaders worried about social stability, they breathed new life into Lei. The promulgation of Lei has come in waves. One swept in after the economic reform in the late 1980’s, when the party realized it had loosened control over the people’s minds after the “open door” policy...Another well-planned Lei Feng crusade appears to be under way now. The National Congress in October encouraged people to “learn from Lei Feng comprehensively”...the Communist Party propaganda Chief, said it would promote the spirit of Lei Feng in companies, schools, communities, villages and online. Xu Youyu [a philosopher in Beijing] said the government loves Lei not just because he did good things privately, but also for his unconditional love for the party. His greatest desire was to be nothing more than “a revolutionary screw that never rusts”, a line from Lei’s diary that most adults on the mainland know by heart. “The leaders want everyone to be like Lei Feng, a pure collectivist who doesn’t care about individual freedom and personal interests,” Xu explained. “Lei wasn’t a citizen, but a screw in the giant party machine.” (Zhai, 2012)

The party's strategy in using Lei Feng to induce a party-endearing sentiment in society is a classic case of its exercise of ideological engineering in order to engender social passivity and support. As the article indicated in its conclusion, the issue of Lei Feng also brings to the fore China's educational system and its attempts to control ideas from an early age, as also an interview with a Shanghai entrepreneur (Witness 15) revealed (examined further below). As the article concludes,

Back to the classroom, children heard from a special guest: Lu Jinhua, the former teacher who initiated the Lei Feng diary campaign in the school 39 years ago. "Uncle Lei Feng was so generous to help others," Lu told the class as a Beijing Television cameraman shot video for a school promo. "I'm so sick of these [tributes]," the cameraman murmured. "They are so fake." He is not alone in that sentiment. Today on the mainland, reactions to Lei range widely. Skeptics question the authenticity of Lei's diary; some even say Lei Feng never existed at all and was fabricated by the party. Lu Ya, deputy director of the Communist Youth League's department of youth workers, said their research showed many young mainlanders knew very little about Lei, if they had even heard of him. "The values of our society have become more diversified, and it's very hard to persuade people to have one moral idol," he said (Zhai, 2012)

Personal interviews conducted suggest an entrepreneurial class, in particular, that is breaking away from its attachment to the state's claim to an ideology that exudes absolute truth. One particular interviewee in Shanghai explicated on the vastness and unique nature of China's growth, in particular, in reference to the demarcation between generations and its implications. In other words, not only has a clear break taken shape between pre and post-reform environments as a result of these markets and wealth, but furthermore, he indicates that this has forced this emerging entrepreneurial generation to learn on their own:

It is very fast. It is an overwhelming revolution; it changes our minds. But people in my generation cannot gain any life experience from their parents, because their parents didn't experience such a big change. So they have to learn everything on their own; they have to find their own way...so for your question I think the change, it is a good change, growing always (Witness 10)

And another noted:

For our generation we have ways of thinking in life, specifically a more manufactured way of thinking. So many things are the same for our generation, our paths are the same...this generation is a little different, because China opened its gate right at our generation (Witness 7)

One particular interviewee in Beijing indicated his capacity to understand not only the opportunities that markets now present in China, but furthermore, the autonomy that naturally stems from this opportunity:

My life is very different from my parents' life. Freedom...now I can bring freedom into play, and I can exercise individual ability and competence and without the overarching control that previously existed (Witness 13)

A case worth noting is a female entrepreneur that the researcher interviewed in Shanghai, who represented a particularly interesting case of entrepreneurship, both as a liberal product of China's increasing economic freedom, and in terms of the implications of this newfound space and individual development. Although now an entrepreneur in Shanghai, she was born and raised in Chengdu – an economic area and social community that has remained underdeveloped relative to the coastal developmental paradigm, and the resultant socioeconomic and nascent political potential that the coastal area has achieved. As a result of her personal experiences growing up in Chengdu, and relocating to Shanghai to pursue business ventures, she was able to provide an interesting juxtaposition on the mentality and operation of each respective city's sociology. In particular she indicated that the people of Chengdu still adhere to traditional customs and norms related to areas such as marriage and work and leisure activities, including perceptions of entrepreneurship, and thus, its activity and sociological structure is largely antithetical to that which exists in a city such as Shanghai. Ultimately, her contrast with the typical Chengdu socioeconomic paradigm, both in her daily practice as an entrepreneur and in her explication of this contrast, illuminates the liberal nature of her case and the implication of this development for the future of China (Witness 15).

In her articulation, her parents' concern and opposition to her decision to relocate to Shanghai were related to the risk involved in embarking upon the occupation of entrepreneurship, as well as cultural issues such as delaying marriage in pursuit of socioeconomic gain and independence. In generalizing the landscape in Chengdu, she stated that people avoid taking risks and instead work in any job that provides security; and outside of the working world most do the same traditional and limited activities - such as mahjong. They fail to embody an independent and progressive mentality. Thus, as this entrepreneur noted, although her friends have attempted to bring their model of entrepreneurship to Chengdu, it has thus far been rejected as a result of the overall narrow minded and 'introverted' type of mentality in Chengdu (Witness 15). As she went on to say, the environment of economic freedom, and the opportunity for entrepreneurship, in conjunction with the younger generation and the rise in internet mediums for discussion and idea sharing, is deteriorating the traditional conception of an absolute state ideology and a singular sociological mentality – factors which should have an impact on the future development of Chengdu. In her explication:

The Chinese education is one that enforces absolute truth, not encouraging independent thought. But the younger generations are breaking away from this and thinking independently. In China you have to show a respect – a weird respect – for older generations. Education is always one-way, no exchange of ideas. One of my friends who is a teacher at a school wanted to create an open environment for the kids, an innovative way to inspire the kids to learn English, not just repeat things. She said the chairman of the school rejects this idea; and says China doesn't provide this type of education. Thus the creativity and openness of the kids are still very limited. For me I had the traditional learning, but I am more open, not mainstream. This has a lot to do with the Internet, entrepreneurship and discussions with other people (Witness 15)

Thus, despite the lack of support she faced within her own community – both from her family and the general environment – she still rejected the cultural paradigm that she grew up in and embraced the economic freedom that China now provides. As a result, she has evolved economically liberal: she enjoys museums and galleries in her spare time, which in her words, is representative of a newfound philosophy characterized by independent thought and pursuit, contrasted with adherence to the

robotic life she describes in the less developed areas such as Chengdu; and she pursues an entrepreneurship that not only attempts to succeed in developing a successful business model, but furthermore, one that is equally intentional about developing a sense of social responsibility.

In an interview the researcher conducted with a local Shanghai entrepreneur in the fall of 2011, she indicated the strength of this growing rationality and detachment from the ideological control of the state in China's contemporary entrepreneurs. In fact she demonstrated a thorough understanding of China's socioeconomic and political growth in the context of its historical backwardness as well as the host of problems related to the lack of the rule of law and the continuation of a one-party system. She expressed a deep concern over the growing volatility as a result of these unaddressed issues, though because of the growth of the entrepreneurial class she equally expressed a future hope for China (Witness 14). In fact this was a common theme throughout my interviews: entrepreneurs expressing concern over these institutional issues yet indicating that there is hope for China as a result of the emerging entrepreneurial class.

At the end of an interview with witness 14, she asked: can I talk more about China's danger? Pleased to hear her desire to continue our discussion, she proceeded to state the following:

Pay attention to farmers that lost their land. They are easily fooled because they are not educated, and so the government used very cheap money to steal their land and told them 'I'll give you free apartments', etc. 'and you can go to cities to work and make more money'. So they were excited to come to Shanghai, Beijing etc., and make money. But their kids?: No insurance, schools, jobs etc. And the numbers are huge – about 1/3 of the people in China. That is why they don't allow a belief system in China – it worries the regime; it is an excuse to control this group of people. If there is a belief system, and people start to fear natural things, then maybe things can change (Witness 14)

A final example will help illustrate the growing secularization of the entrepreneur. An interview in the spring of 2012 revealed just how different the emerging entrepreneurs are from the other groups inside China. First of all, this particular entrepreneur was

the creator of the mobile app described above - a creation that reflected significant independent thought and initiative, not only in its design but also in its objective of targeting a specific group in demand. Furthermore, she spoke in length on how the entrepreneurial class is uniquely placed within China's opening up. They reflect the highest level of independent and individual thought; they are innovators, problem solvers, and as she would later note, (political) troublemakers. As a result, the party is increasingly worried over this very development (Witness 17):

Products change the world. I was in a third tier city and on the radio they were talking about concepts such as innovation, solving problems, the buzz words, etc. The Chinese government didn't want this. We were not raised to solve problems – in our education. Our education has killed the ability to identify and solve problems. Really I think the political system doesn't want any troubles, and the government is fearful of independent thinking college students. So we get this kind of rigorous training, but its all based on memorization. The most important skill is first to identify the problem before solving the problem. I work with seemingly creative people, but it has shocked me how uncreative they are; and it is very challenging for them to solve problems because they can't identify them in the first place (these are designers, programmers, etc – and they are quite typical) (Witness 17)

The advent of economic freedom and the diffusion of markets have not only created a rational entrepreneurial class clinching the increasing opportunities available in growing markets, but furthermore, the growth of this capitalist organization has also produced an entrepreneurial class conscious of the state's former and current attempts to determine the political values of its citizenry, that is, through an ideological framework that maintains one-party domination. Furthermore, this emerging capitalist class has indicated an opposition to this intentional limitation on societal thought - imposed by the party. This opposition by the entrepreneurial class is derived from its recognition of the restrictions this places on the health of the economic sphere in general and the economic values of the entrepreneurs in particular, such as, an independent, innovative, and industrious spirit. This rationalization and secularization of the entrepreneur, which in the western transition symbolized the first blow to the political institutions in the sense that it created a foundation based upon independence and initiative, was imperative for the eventual evolution of the bourgeoisie. It set the stage for a decisive philosophical victory, which would come to represent certain

interests and rights, before it manifested as a political institutional victory over the former institutions that had supported a privileged ruling class.

## **Conclusion**

China's decision to reform and open in 1978 was significant; but the decision by Deng Xiaoping in 1993 following his southern tour to accelerate capitalist development and its consequence - development of markets and the rise of private enterprises and private entrepreneurs - was even more significant: it represented a clear break in an over decade-long intra-party battle between hardliners and reformers over the move to engage in capitalism. It had been a pilot period, so to speak, but from the early 90s on it had become a reality. As a result, the growth of the private sector flourished: from 1989 to 1992 registered private enterprise had grown by just 49,000 units; from 1992 to 1994 they had grown by 293,200 (Table 1). Economic power has begun to shift from state to society with the growing sphere of economic freedom, the sociological consequence of which has first and foremost been the rise of a rational and secular entrepreneurial class.

The wide array of opportunities now available in China through the proliferation of markets has necessarily created the impetus for the rise of social elements to fill these growing demands – and to capitalize on the wealth ultimately obtained. China's private entrepreneurial class has moved in to identify the opportunities available and to produce commodities required by the overall social elevation in China and society's desire for goods. The markets that entrepreneurs have targeted are diverse and reflective of the growth of capitalism and the evolving characteristics of the Chinese entrepreneur, such as mobile technology and demands from specific groups within this market (Witness 17); access to a safe and quality food supply that not only targets a specific market but that also seeks to combat the growing issues within the food industry related to the lack of the constitutional rule of law (Witness 18); and the creation of a business incubator that seeks to mobilize this entrepreneurial spirit and assist it in developing models (Witness 7), and as a consequence individuals, that meets the demands of emerging markets in China. Thus, the entrepreneur has become



a rational actor: a veritable drive to locate and secure opportunities, to innovate and transcend former developments in products and business models, and to ultimately access the wealth available through this activity.

Finally, China's entrepreneurs, as a result of the growth in markets and the rise of a rational mentality, have also become increasingly independent-minded. The entrepreneurs are recognizing the backwards mentalities that had persisted within society for so long in China, and their consequences for the health of the economic and social spheres. As general surveys in media indicate, the party continues to utilize party-controlled media outlets, among other mechanisms, to curb independent thought; and as individual accounts of entrepreneurs indicate, China's formal educational system discourages any attempt towards exercising independent thought. Whereas in the past, the party could expect entrepreneurs to conform to its ideological rhetoric, if not in actual belief in the precepts then surely as a result of fear if non-conforming, contemporary entrepreneurs are now increasingly opposing the party's ideological rhetoric. Ultimately, the party must now work against, instead of before, the growing independent social forces that are emerging below – forces that it initiated in 1978 and accelerated in the early 90s.

## **7. China's Private Entrepreneurs: State Predation and the Rise of Property-Law Interests**

### **Introduction**

This chapter builds on the previous discussion of a rational and secular entrepreneurial class as a product of economic freedom, by examining evidence suggestive of the emergence of an interest-based entrepreneurial class as a product of China's failure to institutionalize the rule of law, and the consequence of its absence – growing rates of corruption and overall state predation. The discussion focuses on variable two in the historical development of a liberal entrepreneurial class: the persistence of a de-institutionalized political system, and the resultant rule *by* law and its associating level of state predation towards the entrepreneurial class, and in turn, its effect on the entrepreneur's creation of property-law interests. It seeks to answer the following research question: 'How has the absence of a property-law environment, and the occurrence of state predation, effected the entrepreneurial class, and with what consequences for the development of an interest-based, socially powerful initiative based upon the need for the constitutional rule of law?' The first section begins by examining the lack of sufficient institutionalization of the rule of law in China, and ultimately, the absence of constitutional governance. Some strides have been made in the way of implementing a system of law in China, but overall these have been more artificial than they have been institutionalized and effective in protecting citizens' property and restraining the state. Legislative and judicial organs are both subordinate to the absolute power of the party and thus are ineffective instruments of policy and justice. As a result, a growing contention is emerging in China between society and party in general, and entrepreneur and official in particular, as corruption pervades the entrepreneurial community.

The first part of the second section examines the extent of official graft within society, its effect on the entrepreneurial class, and ultimately, the entrepreneur's response to growing state predation. The growth of corruption in China can in part be attributed to the decline in organizational cohesion of the party, and subsequently, the erosion of

individual identity within the ranks of China's officialdom. China's officialdom work within a de-institutionalized system governed by personalized power relations and factions, while they are also no longer motivated by a revolutionary framework such as that which existed in the party's rise to power in 1949 and during the Maoist era. Furthermore, the growth of economic freedom has facilitated the growing scale of corruption; officials want a piece of the wealth emerging below, and the party is desperate to maintain the dependence and loyalty of the officials. Thus, the result is the implicit allowance of corruption, a method not new to the developmental state, including China, and its attempts to reconcile the growing contradiction between economic reforms and a lack of political reform.

China's officialdom have utilized three main mechanisms of its absolute political power and control – regulatory powers, monopoly over resources, and enforcement powers – in its exercising of official corruption, specifically manifested through the vehicles of graft (bribery), rent-seeking (extortion) and policing. Instances of regulatory abuses overwhelmingly involve bribery, the consequences of which can be seen in cases such as the high-speed train crash in Wenzhou in 2011 and the fire in Jing'an District in Shanghai also in 2011. Corruption involving monopoly over resources, including the state's ownership of all land and control over banking and finance, have manifested in extortion, seen in cases such as the land-grabs in Wukan, as well as the arbitrary exaction of land from entrepreneurs in Chongqing under Bo Xilai including arbitrary detention and interrogation. These identify but a few of the many emerging cases. As a result of not only the existence of widespread corruption, but even more so its pernicious presence, China's entrepreneurial class is becoming increasingly disaffected with the political authority; and in turn, is recognizing its need for the constitutional rule of law.

## **7.1 Liberalism's Rule of Law and China's Rule by Law**

In the western context of development, the establishment of the rule of law became a foundational component to the entrepreneur's campaign for modernization. The entrepreneur had already become rational and secularized towards the state's claim to

omniscient truths based upon state ideology, and thus the entrepreneur was becoming increasingly individualistic and independent of the state's former reaches into society; as a result, the entrepreneur increasingly realized the need for institutionalized mechanisms to protect this growing autonomy. Thus, for the rising liberal entrepreneurial sociology, the rule of law became instrumental in its quest for protection of private property; it wasn't simply the outcome of modernity, but instead, *'the product of its expression'* (Li Buyun, 2010, 207).

In their development, adherence to this constitutional framework was imperative if the rule of law was to move away from its observance as a theoretical mechanism, and its use by the political authorities for continued privilege and exclusivity, and towards its use as a practical mechanism. As Moore notes:

Key elements in the liberal and bourgeois order of society are [1] the right to vote, [2] representation in a legislature that makes the laws and hence is more than a rubber stamp for the executive, [3] an objective system of law that at least in theory confers no special privileges on account of birth or inherited status, [and 4] security for the rights of property and the elimination of barriers inherited from the past on its use, religious toleration, freedom of speech, and the right to peaceful assembly (1966, 429)

The entrepreneur's requirement of the rule of law in the western context required their inclusion in the political process; and as we see in the cases of England and France, a decisive decision had to be made by the evolving bourgeois sociology: either 1) circumvent the move towards a rule of law, and instead, align with the state, using its coercive power as a substitute for a legal framework; or 2) establish the rule of law by exercising societal power over the state in overhauling the political institutions and creating a system of constitutional governance. The particular route chosen was significant: the move to substitute the privileges and power of the state for the rule of law in the worst instance led to the rise of a fascist regime, and at best, as in the case of France, led to a more violent and delayed transition to a constitutional governance; on the other hand, resistance to state dependence, while insisting on the rule of law, resulted in a general imperative for constitutional governance - as seen in the developmental context of England.

The development of an interest-based platform in the emerging liberal entrepreneurial class was a natural development from its ability to firstly develop into a rational, individual, and most importantly, a secularized class increasingly resiled from its previous subordination and conformity to state ideology and dogma. Prior to the development of capitalist organization, there was little emphasis on the need for the rule of law, as social organization was determined by a ruling elite which controlled the organization of society, culture and politics; thus, the rule by law prevailed over the rule of law. With the development of capitalism, and the development of a philosophy independent of the state, and one based upon the individual, freedom, and ultimately the transfer of power from state to society, the need for the rule of law increased substantially.

In the context of China's development, and as indicated in the previous chapter, we can observe the continued decline of legitimacy in the state's absolute ideology and power, and in its place, the rise of a new philosophy – embodied in the rising liberal entrepreneurial class - that views the rule of law as an imperative on the road to the maturity of a bourgeois society and polity. Although China has and continues to use concepts such as constitution, rule of law and democracy in party rhetoric (especially since reform and opening up in 1978), and even further considering the fact that China has a constitution, a legislature and a judiciary, regardless of these 'institutions' China does not adhere to a system of constitutional governance or constitutionalism despite the party's claim to conform to this mode of governance. Instead, the rule by law, and by leader, persists; while the supposed rule of law is one instrument used to support a system of rule by law (Zhang Mingxin, 2006).

As Chinese scholar Yu Keping articulates, indicators of an effective system of the rule of law are as follows: 'Status of laws and law-making procedures'; 'Official and popular understanding of and respect for the rule of law'; 'Actual, practical role of the law'; 'Autonomy and authority of legislative and judicial organs'; and 'Universal application of laws nationwide across different bureaus and departments of government' (2011, 30). Most fundamentally, it eliminates a system where certain classes are exempt from adherence to the laws of the land; all classes are equally held to the rule of law (Zhang Mingxin, 2006). If measuring the extent to which the rule of law is institutionalized in China according to the above criteria, China fails on all

accounts except for possibly the ‘status of laws and law-making procedures’, which is exercised in China, although as widely understood, this is exercised through the National people’s Congress which is subordinate to the party and in effect is a rubber stamp. Thus, we can clearly see that imperative criteria for the effective application of the rule of law, such as autonomy of government organs, and application of laws universally, are altogether absent in China.

Thus, although on paper China has made attempts at greater constitutionalism, adherence to constitutional governance remains widely absent. For example, China’s legislature and judiciary are both without independence and instead are subordinate to the wishes of the party. As one author notes, even in light of a constitutional revision in 1982, the party clearly indicated that the judiciary remains subject to its authority and control (Ma Huaide and Deng Yi, 2011). Although recent societal uprising over arbitrary detention, including the victim’s undisclosed location and refused access to family and friends, has fostered the development of legislation limiting the powers of law enforcement, the most fundamental issue still remains: China has many laws, but no constitutional governance (Page, 2012c). Laws are created, but they fail in their implementation and efficacy. Thus, in this case, why should the public expect that this new legislation will induce substantive changes in the practice of arbitrary detention?

As one scholar points out, although the liberal reformers in post-Mao China sought to prevent the destruction that ensued in Maoist China as a result of personalized power and de-institutionalization, in the reform era, the constitutional rule of law has remained absent (Lin Chun, 2006, 228-236):

The accused and persecuted were often also among the most conscientious and courageous supporters of communism – the logic of a revolution devouring its children. In vowing to prevent the “mass dictatorships” from ever recurring, the reformers succeeded in de-radicalization of Chinese politics. What they had left out in envisioning a substantial political reform was the idea of democracy encompassing but not substituted by legality, in which the constitutional architecture would be built on the foundation of individual citizens and their collective power (Lin Chun, 2006, 233)

In short, the legislature and judiciary are both placed within the continuation of a Leninist organization that places the party above the law, and thus, require the production of policy and the administration of justice to rest completely in its hands. As Yuan Yulai, a rising Chinese lawyer in support of constitutional governance, noted in a recent interview, China's judiciary system has in fact declined over the past several years causing a system of grave injustice throughout China. When asked 'What do you think about the judiciary', he stated:

There have been tremendous setbacks in the last 10 years. I am very, very disappointed with our courts. They are not only unfair and not independent, but also shameless. Judges are humbled in front of government officials, and have to obey what the governments tell them. At one recent hearing, an arrogant lawyer representing the government even talked on his mobile phone while the court was in session and the judge didn't stop him (Yan, 2012)

Furthermore, private property remains unprotected. The protection of private property was first discussed in substance in 2002 at the 16<sup>th</sup> National Congress of the CCP (Wang Yan, 2007). In 2004, the Constitution of the People's Republic of China (CPRC) was amended to state 'the residences of citizens of the People's Republic of China are inviolable, unlawful search of, or intrusion into, a citizen's residence is prohibited' (CPRC, 2004); but this incorporation into the constitution was more a technicality than an application, and this is seen in the reluctance of businessmen to invest in economic ventures that could be risky due to the precarious nature of property law in China (Kong, 2003, 539-540). Thus, despite emphasis by China's leaders to introduce the rule of law, property-law in China has not been adequately developed in a way that meets the needs of emerging property owners; and where legal protection is identified in words, it is not applied in accordance with stated legislation or constitutional inserts, as noted above (Liu Tianjun, 2006).

The recent case of Chinese lawyer Liu Xiaoyuan exemplifies not only the contention that is growing between the party and society in the absence of the rule of law, but furthermore, the political and constitutional awareness that the individual is demonstrating as China continues to modernize. Liu is not simply a lawyer in China; he is a lawyer and an activist who recognizes the need for China to implement

constitutional governance. As a result, he represents individuals who are victims to the party's abuse of its political power in the absence of effective constitutional mechanisms holding officials accountable to the law. After a friend came to him for help regarding a friend's case that had failed in its procedural integrity, leading to his execution, Liu became yet another victim of the party's usurpations (Ng Tzawei, 2012a).

In response to Liu's willingness to help in this case, which exposed officials to illegal practices, the state arrested Liu arbitrarily, detained him on several different occasions, threatened him, and eventually revoked his license to practice law. As a result, he continues to be without a license and his practice cannot continue in its daily business activities. Thus Liu has become an avid supporter of the development of constitutional governance in China, and in fact has become an effective mouthpiece for the move from constitutional governance as a theoretical framework to its existence as a real and effective framework for governing the state apparatus. In foreshadowing the analysis in chapter 8, Liu has become a major contributor to online discussion through internet blogs, which are emerging as effective associational and organization tools in society's campaign for political reform (Ng Tzawei, 2012a). As Liu notes in the article:

"his [Liu's] Sina blog alone has drawn more than 6.4 million visits since it began, with 33,000 subscribers – and the posts have been responsible for whipping up heated discussions on many controversial cases..." "I believe it's because more and more social news concerns the law, and there's a demand for professional opinions on these issues, especially from a legal angle,"..." "In China, the judiciary is not independent. If a case attracts the attention of the public, there's a higher likelihood that the court will treat the trial more seriously and fairly," Liu said. He believes that this explains why, contrary to many developed jurisdictions where lawyers avoid the media like the plague, the media in China is the best tool a defense lawyer has..." "There is definitely some fear...as we don't know where the line is if the authorities do not have to follow the law," Liu said. "Why was I taken away last year? Because I showed concern for an artist? When a citizen breaks the law, he's locked away. How about when authorities break the law? This is now the biggest threat to our rule of law" (Ng Tzawei, 2012a)



Thus, in the area of property-law in China, we begin to see society's response in general, and the entrepreneurial response in particular as described in detail below, of the move away from a political legitimacy based upon individuals and their absolute ideologies, and a move towards the superiority of procedures and institutions that transcend the Chinese political elite. The following section will uncover the contemporary entrepreneur's ongoing and deepening battle with the state over the issue individual property rights and the implications of an ineffective propertied-law environment for the future of China's political institutions.

## **7.2 State Predation in Contemporary China**

### *Political Corruption and Property Rights*

The continuation, and even exacerbation, of state predation - alongside economic freedom and its sociological attachment - was a pivotal juncture in the western transition to the modern liberal order. As demonstrated in the eastern and western transitions, the state encountered a fundamental dilemma as the economic and sociological structures developed alongside traditional political institutions: the state became increasingly incapable of appeasing, socioeconomically, its traditional supporters: its once privileged officialdom. It presented significant consequences for the state, both in terms of maintaining the continued loyalty of its agents as well as the subordination and management of sociological force rapidly evolving beneath the state. As Moore notes in the case of France,

The monarchy wanted a prosperous nobility as a decorative adjunct to the crown and as help in keeping the people in their proper place, and expressed concern on frequent occasions when it came across evidence of poverty among the nobility. But the crown did not want the nobility to establish an independent economic base that could enable it to challenge royal power (1966, 50)

In the case of China the rise of corruption is in part a result of market transition and the attempt by state officials to compensate for their losses in economic capital; but as Xiaobo Lü points out, it has also pervaded as a result of the political organization and

its sociological agents in a state of flux. During the state's formative years of revolution, the cadres embodied a distinct identity centered on motivational ideology and revolutionary goals. Thus, although the party organization was de-institutionalized, the revolutionary goals helped maintain solidarity. To be sure, corruption still existed in revolutionary China, but in much different scale and form than in the reform era. When modernization commenced, on one hand, the state no longer maintained these revolutionary objectives, and on the other hand, it also refused to progress towards constructing a modern institutionalized polity – and thereby leaving an acute dilemma: the organizational rigidity of the party has eroded and subsequently the former sense of identity among the cadres has slowly diminished, while proving ineffective in instilling a renewed sense of purpose (Xiaobo Lü, 2000).

In China, a longstanding method has been the allowance of corruption (Moore, 1966) in order to compensate for the widening gap between the official's compensation and that of the growing private sector. In China, corruption exists as the vehicle for the monetization of officialdom (McGregor, 2010, 140). In contemporary China, the party's implicit allowance of corruption is evidenced in the mechanisms and processes established to supposedly combat corruption. Although the party formally condones the exercise of corruption among its officialdom, it in fact tacitly allows the continuation of usurpation, witnessed in a protective mechanism built into the vertical superstructure of the party organization that acts to protect official's who engage in corruption. Firstly, party officials accused of corruption are not accessible for investigation by non-party authorities, in other words, they can only be investigated 'in-house' so to speak by the party inspection organ – the Central Commission for Discipline Inspection in Beijing. Secondly, even this commission is limited in its ability to investigate: before moving forward with an investigation, it must first find approval from the party body above the official who is suspected; thus in effect, it becomes very difficult to prosecute official corruption. A Politburo member, for example, sits on the highest body in China; thus, if one were to be investigated, the Commission would be required to seek the seal of approval from Hu Jintao himself. Thus, 'only one thing has altered dramatically over time – the size of bribes, which now routinely run into the millions of dollars, even for relatively low-level officials' (McGregor, 2010, 139).

But as Moore notes, this is viewed as a risky strategy in that it tends to aggravate the growing entrepreneurial class within the private sector: 'Indirect compensations such as these, however, run the risks of diminishing control from the center and encouraging exploitation that may arouse popular discontent' (1966, 58). As Cheng Li notes in the case of China:

China's private sector accounted for 60 percent of the country's GDP growth, 70 percent of business firms, and 90 percent of employment for migrant workers. The report also stresses that private firms have made these contributions to the economy despite facing a largely disadvantageous business environment. It seems that the real political ally of the Chinese government is not the white-collar middle class but the black-collar stratum. In fact these new trends and phenomena are increasingly alienating the middle class (2010, 78-79)

In the newly emerging political economy of China, although the state's bureaucrats – who previously enjoyed privilege and status – are now exponentially losing this particular status and power, China's longstanding exercise of an informal environment, in conjunction with the state's retention of strategic resources and growing regulatory power, has been capitalized on by officials in order to retain individual status, power and wealth; and to be sure, to equally prevent the rise of alternative, and opposing, sources capable of amassing wealth and power. Thus, corruption pervades Chinese society, capitalized on by the party's control of resources and police and regulatory powers, while manifesting itself at the expense of society in general and the entrepreneur in particular, through the tacit vehicles of graft (bribery), rent-seeking (extortion and profiteering) and policing (Xiaobo Lü, 2000).

Although the party continues to propagate its claim to adhere to a life of limited luxuries, and an unyielding and selfless devotion to the people, the scale of corruption has de-legitimized this claim as the public grows increasingly aware of and unsympathetic to the arbitrary acts and abuses of political power. As empirical evidence increasingly reveals, rising social grievances are primarily a result of privileges and corruption associated with official posts and relations, including the official's exemption from the rule of law. As Yiyi Lu states, this includes the daily

media reports out of China that reveal the frequency of these abuses: the mayor of Hubei Province runs a red light and hits a 14-year old student, but is allowed to continue with routine business; and an official from Henan Province reprimands and threatens a policeman after being pulled over for fake tags (Yiyi Lu, 2011).

A recent article regarding the rise of princelings and corruption in China further highlighted the growing level of privilege among China's political elite; and, it addresses this issue in the context of China's impending leadership transition as concerns are growing over the possibility of a further entrenchment of privileges within the political elite and the state's regression into the economic sphere. In early 2011, Bo Guagua (23), son of Politburo member Bo Xilai, arrived at the U.S. ambassador's residence, then John Huntsman, in a red Ferrari for a dinner meeting with the ambassador's daughter. Though the party insists that these acquisitions are legitimate, public opinion reflects a different position. As one article notes, 'The state owns all urban land and strategic industries, as well as banks, which dole out loans overwhelmingly to state-run companies. The big spoils thus go to political insiders who can leverage political connections and family prestige to secure resources and then mobilize the same networks to protect them' (Page, 2011). Furthermore, an interviewee in early 2012 illuminated this issue of leaders placing family members, especially children, in key industries of the economy and the consequence of this for the entrepreneurial class. As he said:

Parents who are business owners tell their kids to go into government; and parents who are in government tell their kids to go into business. As an official you have a good life – people invite you for a lot of dinners, you have respect; but no money. You have power, and the money comes from the business people. The government official thus always thinks I want my kid to be in business; I have power and connections, and so I can help my kids to do business – combine wealth and power. People in business on the other hand, feel, every day I have to beg officials for help, to provide dinner and gifts for them, give them money, etc. (Witness 16)

This is especially important in the fact that many are concerned over the role of the princelings as China nears its leadership transition, particularly in the perception that this privileged group will further entrench their elite status and subsequent control

over economic resources at the expense of society. In a recent media piece, the author explicates how China's graft – and its degenerating effect – is presenting grave economic consequences for the entrepreneurial community, especially in the context of China's newly ascending leadership in Xi Jinping and their princelings: 'The princelings, descendents of former leaders of the People's Republic, will surely use their new political clout to consolidate their grip on the economy. This means, among other things, that others, especially owners of private domestic enterprises, will have even fewer opportunities than they do today' (Chang, 2012).

In the reform era, the party has retained control of key industries, not only to prevent power from transferring into the hands of an independent social base, but also to retain economic spoils for the leadership and their families. As indicated above, in a general sense this reduces the private sphere, benefitting a privileged elite at the cost of the entrepreneur. But in a more direct sense, this has proved a highly predatory behavior by the state towards the entrepreneurial class. In an interview with an entrepreneur in the spring of 2012, he elaborated on this very issue, expressing his frustration over this privileged system, the harm it brings to entrepreneurship, and its ultimate source: the one-party system, without constitutional rule of law. He elaborated on how the top government leadership, and its use of princelings (its sons and daughters) controls key industries at the expense of the entrepreneur. As he noted: 'We want to fix these bugs stemming from the government; Wen Jiabao's son controls the satellite company; the former vice-premier's daughter, Mrs. Li, controls China electricity, and leadership families' control of China's tobacco groups, to name a few' (Witness 18). Baidu and Tencent – and their engagement in predatory behavior, and the costs they inflict on the entrepreneurial class, are but two examples worth mentioning.

Baidu, the Chinese mega search engine, apparently has strong government connections, as does Tencent, and thus Baidu has been able to survive where Google failed - not to mention the fact that it engages in profiteering. As this particular entrepreneur explained, Baidu recently allowed people to post copies of books of Chinese authors, publicly accessible for download in Baidu's library collection, and thus engaging in copyright infringement (Witness 18; Lee, 2011). Further, 'over the past two years, record companies have taken Baidu to court for copyright

infringement over its Mp3 search service that allows users to easily search for and download music for free. In January last year, a Beijing court cleared Baidu of the copyright suits and said the search engine did not break any laws' (Lee, 2011).

Tencent is notorious for profiteering, specifically targeting China's entrepreneurial class. On the surface they are a 'social media company' (Witness 18; Witness 17). Behind the scenes, it's run by China's privileged elite and princelings, engaging in extensive predatory behavior (Witness 17). As one entrepreneur indicated to me in an interview:

Do you know Tencent? This is a tech giant – just to copycat every product with great market potential. They hunt for startups with a good idea and pretend to be interested in investing. They send someone to conduct interviews, learn about the company, and then follow up by alerting their in house engineers to try and copy it. It's a very dangerous playground to build your startup, but everyone is looking at its rewards, even though very few can make it. The potential is too good to give up. So money is continuing to pour in – especially in the mobile internet field (Witness 17)

When the dust has settled, what is the cost? As one entrepreneur explained:

After it [Baidu] grows bigger, it contributed considerable taxation to government. And then our government gave it more protection in every possible way to keep it safe in market competition with other players like Google. In return, Baidu was doing very good in information filtering to guarantee that the search results the users obtained were aligned with the voice of the mainstream media under government control. And this is also a very important reason why Google failed in China (Witness 18).

There are a lot of similar examples here such as Tencent Group, the largest social media company in China. When it survived in the early stages, the government intervened to give it protection which made the market competition unfair. So when these kind of companies grows and finally become kinds of giants in their industries, their relationship with the local governments has been very solid with a lot of deals under table. These giants then easily bully the small start-up companies without considering the intellectual property issues, etc. (Witness 18)

Furthermore, China's state-led model of economic development in conjunction with the lack of the constitutional rule of law has fostered the rise of social unrest in the presence of land-grabs and social displacement, including the rise of organized protests in urban areas as a result of abuses towards entrepreneurs (WSJ, 2011, A1; A11). A recent and explosive surge in social unrest in Wukan, China, represents a symbolic account of China's emerging state-society relationship in the context of growing corruption, property-rights infringements and consequence of societal disaffection. According to media sources, the social unrest has been in response to 'local officials who commandeer farmland at below market prices and then sell it to developers and pocket most of the profits' (Page, 2011, 1).

In this case, the issue revolved around dealings between two companies: Lufeng Fengtian Livestock Products (owning a large pig farm in Wukan) and Country Garden (one of China's largest property developers). The owner of Lufeng Fengtian was the former Deputy Chairman of the government of Lufeng, which includes the village of Wukan; and it seems the intent was for Lufeng Fengtian to sell not only personal property but also the property of other villagers to the property developer, while providing nominal compensation to the villagers, and therefore generating high profits from the deal. As the article notes, 'villagers in Wukan have accused local officials of selling farmland to a property developer for as much as one billion yuan (\$157 million), and then pocketing 70% of the proceeds' (Page, 2011, 14).

This piqued the victims of property theft, causing one of the largest occurrences of social unrest in contemporary China. Most importantly, it reflects the increasing proliferation of official graft in China and the effects it produces within the emerging sociology, in particular the move from a passive to an active response; and it is implicative of an effective check on China's political apparatus, as accounts of the incident note the role that the Internet has occupied – in disseminating information and creating transparency - in society's struggle against the state. Thus, as one recent article noted, this incident presents a portrait of China's evolving state-society relationship in the context of the creation of the sociological product of capitalism – individualistic, autonomous, rational and property-owning citizens – and the growing contention with a party-state that refuses to induce political reform, all the while graft and predation continue to flourish (Ljunggren, 2012). As one article noted,

Wukan's fate is now being closely watched as a test of Beijing's willingness to tackle the failings of local government in China, including pervasive corruption, collusion between local officials and property developers, and a lack of official accountability and legal redress for victims of government abuse. "It's a paradigm shift," said Liu Yawei...director of the China program at the Carter Center in Atlanta. "I think the officials, led by Wang Yang, have finally come to the conclusion that in the market economy there are groups whose interests are being violated" (Spegele, 2012)

In fact, this case pervades much further than the plight of China's farmers in Wukan; it also involves an important intra-party factional battle – between Chongqing Party Chief Bo Xilai and Guangdong Party Chief Wang Yang - that is increasingly garnering media coverage in the months leading up to China's important leadership transition, as a result of these leaders' contrasting political views: Bo Xilai a nostalgic Maoist and Wang Yang a liberal reformer. Most important is the fact that both party chiefs have overseen the endemic abuse of official power, specifically targeting individual's private property, though each party official has responded in different fashion. In Wang Yang's prefecture, which includes the farmers in Wukan, the Party Chief has been instrumental in supporting the people's requests for curbing official corruption and implementing measures for property right's protection, as well as his support for the growth of a civil society (Page, 2012f). In contrast, the allegations growing in Bo Xilai's prefecture, full details of which continue to be unknown, are exposing issues related to official's abuse of political power, and in this case affecting several local entrepreneurs in Chongqing (Page, 2012e). As the events continue to unfold, it seems at the very least that these local entrepreneurs in Chongqing were the victims of arbitrary land seizures by the local authorities, which seem to be intertwined with Beijing's commendation of Bo Xilai's 'successful' crackdown on organized crime:

Among Mr. Bo's many critics are at least two local property developers who have publicly alleged that they were forced to hand over their businesses to allies of the Chongqing Party Chief during the campaign against organized crime. One of those property developers, Zhang Mingyu, hinted that he had fresh details about the Wang Lijun case Wednesday when he wrote a cryptic message on Sina Weibo (Page, 2012d, 4)



Zhang Mingyu disappeared in early March; and Bo Xilai's praises from party leaders and expectations for elevation within the party come the impending leadership transition have witnessed a sudden halt with his demotion from the position of Party Chief on March 15 (Page, 2012g).

This case is significant in how it exemplifies the pervasiveness of China's rule by law and official usurpation – in this case exercising both extortion and abuse of police powers: 'Mr. Bo was a law unto himself...business people have alleged that they were accused of being gangsters so that their assets could be expropriated' (WSJ, 2012d). In addition to arbitrary land seizures, entrepreneurs affected by Bo and his tactics have spoken out, one of which was arbitrarily detained and beaten (WSJ, 2012d). Media reports are slowly revealing the businessmen that were targeted in Bo Xilai's campaign, though as commonly understood in China, the information that is allowed to leak out only represents the tip of the iceberg. Two of the entrepreneurial victims include Li Jun and Zhang Mingyu:

Li Jun, a businessman who lost his \$700 million company and now lives abroad, says he was tortured by the police and military for three months for a false confession...Mr. Li and others have called the Communist Party's takeover of business a new "red terror" (WSJ, 2012d);

Zhang Mingyu, who vowed during the annual session of the National People's Congress early this month to reveal proof of Wang's misdeeds but disappeared soon after, confirmed yesterday that he had been taken from his Beijing apartment back to Chongqing and held in a guest house with no contact with family until the afternoon of March 15, the day Bo was dismissed as Chongqing party chief..."As far as I learned, a top-ranking Chongqing official ordered my arrest. That official could have been Bo" (Choi Chi-yuk, 2012b)

The party's monopoly over resources and regulatory powers, as well as its overall superior political power relative to society, have created pressure on the part of the entrepreneurs to engage in the bribery of officials in order to acquire necessary resources, such as financing, or licenses, to name a few, and therefore successfully progress in their business activity. As one author notes, the most pervasive practices

are what have been coined the *san luan* or the ‘three unruly actions’ of ‘illicitly levying fines’, ‘imposing fees’, and ‘apportioning forced donations’ (Xiaobo Lü, 2000, 208); and the entrepreneurs have equally been victims to the party’s exercise of *san luan*. As Zhang Houyi notes, recent survey data revealed enterprise expenditures related to *san luan*: 43,600 RMB for various allotments; 62,500 RMB for various gifts; and 100,400 RMB for various social activities (Zhang Houyi, 2008).

Two recent cases illuminate the abuse of regulatory powers and the resultant corruption - at the expense of society: the recent high-speed train crash in Wenzhou, derailing two trains, killing 40 people and injuring nearly 200 (BBC, 2011); and the recent fire in Shanghai’s Jing’an district, burning a high rise building, killing 53 and leaving another 70 hospitalized (MSNBC, 2011). Both cases represent a common problem: state officials in various state agencies, as a result of their regulatory powers and control over resources, engage in bribery at the expense of safety and quality construction. In the recent high-speed train crash in China’s southern area of Wenzhou - a case of abuse of powers associated with the control of resources and regulation - the Chinese leadership has indicated that corruption was at the heart of this incident (Tien, 2012):

Premier Wen Jiabao’s cabinet, the State Council, cited poorly designed track-signal equipment that got knocked out by lightning strikes as well as inadequate safety procedures...the report said “primary leadership responsibility for the accident” rests with the top Railway Ministry officials...The primary criticism is directed domestically, both at Chinese equipment makers and their regulators. Foreign railway supplies, which provide key components in complex railway assemblies, got little mention in the report (Aredy, 2011, 3)

Invariably connected to the Wenzhou crash, and substantiating the pervasive issue of corruption within the construction of China’s railway infrastructure, is the continued reports from China indicating that corruption associated with railway construction is not isolated to Wenzhou. As one report indicates, the former deputy chief engineer at the Ministry of Railways, Zhang Shuguang, and close advisor to former railways minister Liu Zhijun, were both indicated in not only taking 1 billion yuan in bribes, but furthermore, in stealing 187 million yuan from the ‘Shanghai-Beijing high speed

railway project alone'. The implications of the missing 187 million yuan are significant: 187 million yuan were withheld from railway projects, thus filling the pockets of corrupt officials instead of ensuring the integrity of the rail system. Finally, the article notes the continued pervasiveness of this corruption: 'since Liu's downfall, other railway officials have been placed under investigation for corruption, including Su Shuhu, deputy director of the Ministry of Railways' transportation bureau' (Jiao, 2011).

The fire that engulfed a 28-story high-rise residential building in the Jing'an district of Shanghai is yet another example of the consequences of China's endemic corruption. In this particular case, the building was in need of structural repairs, which were overseen by the Jing'an locality. According to accounting of the events leading up to the fire, the work was contracted out to a Shanghai based company (Shanghai Jiayi Decoration Company) that had managed to bribe its way into winning the contract. Furthermore, as part of the bribes, the safety authorities exercised a hands-off approach, allowing the decoration company to conduct unsupervised structural repairs. Thus, in the process of welding, the under-qualified, inexperienced crew managed to set fire to insulation that spread to the bamboo scaffolding, eventually setting fire to the entire high-rise structure (Yu Ran, 2011).

One of China's rising legal figures, Yuan Yulai, in support of constitutional governance and those individuals who fall victim to state predation, attempted to provide legal aid to 21 of the victims in this tragic incident. In requesting that the municipal government 'release details about the distribution of donations, [the] list of [members of the] work committee assigned to the fire [investigation] and documents showing that the apartment building had passed previous fire-safety tests' (Yan, 2012), the locality denied his request. And, as revealed in this particular incident, there is no higher authority that provides an effective check on the arbitrary actions of these government organs, nor any effective prosecution of their offenses when acting outside the purview of the law.

This pervasive state predation has greatly affected the property interests of China's entrepreneurial class. A survey of China's entrepreneurs conducted in 2011 asked to what extent China's state predation exists as well as to what extent this adverse

environment is affecting their business environment. As the results indicate, respondents overwhelmingly indicated their observance of high rates of corruption as well as its effects on their business environment. When asked ‘How would you say the level of corruption has changed over the last few years?, 32% of respondents answered that ‘it is getting much worse’ (see Table 4).

**Table 4: The Entrepreneur’s Perception of Corruption**

	<b>2011 Total %</b>
It is getting much worse	32
It is getting somewhat worse	31
It is about the same	11
It is getting somewhat better	20
It is getting much better	6

Source: Nathan Gamester. The Legatum Institute Survey of Entrepreneurs: China 2011

Furthermore, when asked ‘To what extent, if at all, do you think corruption is a problem that hurts business in China?’, the majority of entrepreneurs responded by saying ‘it is a serious problem that makes business difficult’ (see Table 5).

**Table 5: The Entrepreneur’s Perception of Corruption as it Affects Business Activity**

	<b>Beijing</b>	<b>Guangzhou</b>	<b>Shanghai</b>
It is a serious problem that makes business difficult	56	50	23
It’s a problem, but most businesses can grow without being affected too much	32	28	61
It’s not much of a problem	9	16	10
It’s not a problem at all	1	0	6
Don’t know	2	6	1

Source: Nathan Gamester. The Legatum Institute Survey of Entrepreneurs: China 2011

As noted above, the party’s monopoly of resources is one method utilized by officials in order to profit from the entrepreneur. A recent report on China’s entrepreneurial millionaires substantiates this growing problem. As the article notes, the party is

increasingly forced to grapple with the issue of increased economic reforms and its unwillingness to implement political reforms. Although in the past, the purported omniscience of the party and its leaders maintained a docile society, in the reform era the complete lack of an institutionalized contract between state and society – in the form of constitutional rule of law – has engendered serious fissures in the party's legitimacy, most notably, in the eyes of society's growing sociological power – the entrepreneurs. As one entrepreneur notes, '[the] main reasons for leaving, he says, is the business environment. "The government has too much power," he says. "Regulations here mean that businessmen have to do a lot of illegal things. That gives people a real sense of insecurity."... "The problem is that government power is too great,"...if they don't change, he worries, "another revolution will come soon" ' (Page, 2012b).

Within the area of resource monopoly and power, the banking industry has been one key area used by the state to not only prevent entrepreneurial enterprise growth, but furthermore, to induce corrupt brokering between entrepreneur and official. Thus, the entrepreneur in many cases is left with the disadvantageous position of either avoiding the path of illegality in securing finance, or, traversing down the many opportunities for illegal finance which has proven costly both financially and eventually 'legally' when the state does decide to intervene. As one report notes:

Because banks like to maintain close ties with the large enterprises, which are mostly state-owned, only about 20 per cent of small businesses with fewer than 50 staff had ever been granted a bank loan...and even when they do extend loans, the interest rates they charge are three to four times higher than those for a loan from a large bank (Zhang, 2012)

Furthermore, shortages in accessing finance as a result of economic fervor have facilitated the rise in bribery and official gain in granting loans. In one case, 'a farmer-turned-businessman in Hebei province bribed 80 officials in 40 different financial agencies in order to obtain 286 million *yuan* in loans' (Xiaobo Lü, 2000, 196).

The recent case of Wu Ying, a Chinese entrepreneur who began her business at just 17, and by 29 had become one of China's richest women, and who has been charged

with fraud and is likely to receive the death penalty, exemplifies not only this issue of official graft in the absence of constitutional rule of law, but furthermore, the avenues that China's entrepreneurs are forced to resort to in the absence of financial resources: private financiers who pool money together and loan it to entrepreneurs at high interest rates. In Wu's case, she borrowed money from several individual lenders – personal friends – and who never agreed that Wu had defrauded them. In fact, as the article reveals, it is speculated that official corruption and the ability of officials to evade the system of law is a major factor in this case: 'many officials wanted Wu dead because while in detention she gave police the names of corrupt officials she had bribed' (Ng Tzeweï, 2012b). The unanswered question is why she is likely to receive the death penalty considering the economic nature of the crime (ibid).

The state's control and ownership of all land resources has also taken its toll on the entrepreneur, especially in the rising frequency in which officials exercise extortion and arbitrarily seize entrepreneur's private property. In many cases, the party and its loyal agents simply take what they want and as they wish. Take the case of entrepreneur Bai Yiben:

Bai Yiben worked hard to build up his property development business after retiring from a state-owned textile company in 1992, saving every penny and plowing it back into the company. After years of struggling, his firm turned the corner in 2000. His newfound wealth didn't go unnoticed. Powerful officials linked to China's military and Communist Party decided they wanted the fruits of his labor...Officials hounded Bai...manufactured state's evidence, brought suit in their own courts with no pretext of objectivity, forced the men into a life on the run and ended up with everything (Magnier, 2004).

In fact in Bai's case a major cause for his misfortune in clashing with the local authorities was the fact that he refused to engage in bribery, gift-giving and the like with officials in order to prevent the very action exercised by officials in seizing his property for their benefit. As the article notes, in a country governed not by constitutionalism but instead through the rule by leaders, Bai's refusal to engage these practices of expending capital on officials in order to prevent misfortune indeed determined his fate (Magnier, 2004). The article proceeds by noting additional cases of cadre abuse of power generated at the entrepreneurial class while indicating that

due to a lack of statistics on the extent of this abuse throughout China, exact figures are unavailable, though, what is known is that the scale of this corruption is extensive and on the rise:

Abuses are widespread, experts say, citing a case in which officials of the Beijing Civil Affairs Bureau seized businessman Hou Ruichang's \$1.8 - million company, kicked him out and claimed it as their own; another in which entrepreneur Cao Jiguang's electronics company was taken over by a local agency in Shenzhen; and a move by Shanxi province authorities to push out a businessman Yang Yongru from his cement company (Magnier, 2004)

A Guangzhou court recently convicted former Maoming Deputy Mayor, Yang Guangliang, for accepting bribes in excess of 34 million RMB. In similar fashion, he had accepted exorbitant amounts of money in exchange for his power in reallocating land to the highest bidder, regardless of the socioeconomic expense that accompanied the deal. This included accepting '5 million yuan from an investment company for helping secure land-use rights...[and] money from hotels and restaurants between 2006 and 2009 for organising government functions at the venues and arranging for some government charges to be partially or completely waived' (Wang, 2011). Apparently the deputy mayor's corrupt dealing involving ownership of land date as far back as 1992; in 1992 and 1993, 'Yang took 220,000 yuan in 17 lots from a building company to help secure land-use rights' (Wang, 2011).

The Chinese firm - Cathay Industrial Biotech – further illuminates the consequences of state predation. The company had successfully engineered hydrocarbons into nylon byproducts for use in areas such as diabetes drugs and lubricants, and as a result of its achievements, was approached by global companies - who use these nylon products - as future customers of Cathay Industrial Biotech. Investors in China were also ready to hedge their bets with the company. In the end, the Chinese party deflated these hopes and aspirations. According to accounts of the incident, the company's factory manager stole the technology and engineering involved, began a separate company in competition with Cathay, and is now working for and backed by the Chinese government. The company has even been granted a \$300 million loan from the Shandong Party Secretary; and since then the company and its production have been

granted full backing by the party, claiming it an imperative for national security. This case is especially important not only in the fact that it illuminates the extent of, and damage incurred, as a result of state predation; it also demonstrates another disturbing pattern connected to China's growing state predation: the party's intentions to expropriate the property of private entrepreneurs and transfer its economic value to the state (Barboza, 2011):

After more than a decade in which private companies have been the prime engine of China's economic miracle, the Chinese government is eager to control more of that wealth – even if that means running roughshod over private companies. Chen Zhiwu, a professor of finance at Yale University...says the Chinese government is smothering the private sector...the usurping of private enterprise has become so evident that the Chinese have given it a nickname: *guojin mintui*. That roughly translates as “while the state advances, the privates retreat.” (Barboza, 2011)

And the party's interest in retaining its privileges, as well as its growing concern over the rising entrepreneurial class, are at the heart of its move to return to a position of dominance in the private sector. The result has been the continued discrimination of the Chinese entrepreneur (Barboza, 2011).

The case involving Gao Zhisheng, a prominent Chinese lawyer who primarily represented the very individuals who had fallen victim to the state's arbitrary seizure of private land for personal, collective or organizational gain, and who was convicted in 2006 of ‘inciting subversion’, not only exemplifies Chinese corruption; but furthermore, his case represents a party that refuses to limit its power of persecution. As the authors note, ‘A self-trained lawyer and once rising star in China's legal establishment, Gao found himself under attack after representing some of China's most vulnerable citizens – victims of illegal land grabs’ (Genser and Cohen, 2012). In fact Gao was not only a representative for those victims of land-grabs, but he was a business owner himself, owning his own law firm which was taken away from him in 2005 prior to his conviction. Since his arrest the state has threatened his family and subjected him to imprisonment and torture in undisclosed locations, while refusing to allow family members to make visits. As the media piece notes, he was last seen on



April 20, 2010; and although it is unknown as to his exact location, reports suggest he is currently in a prison in China's Xinjiang Province (Genser and Cohen 2012).

Thus, we can attribute China's deficient rule of law, lack of an independent legislature and judiciary, and even the failure of an independent investigative body to combat official corruption, all to one common party objective: to prevent a system of checks and balances on its power. As a result, the privileged political elite is able to maintain its position over society, and the party as a whole can continue to lure loyalty among the officialdom as they enjoy the fruits of political corruption. Nonetheless, as the officials become more entrenched in the political institutions and as they become more predatory towards the entrepreneurial class, the entrenchment of an independent and legally oriented entrepreneurial class with an intent to protect these property-law interests should equally emerge. As empirical evidence in fact suggests, an entrepreneurial class is shifting its interests and objectives towards an emphasis on the protection of private property and the constitutional rule of law.

### *The Rise of the Entrepreneurs' Property-Law Interests*

In the historical context of liberal development, the entire cultural framework within the feudal state was controlled and defined by the prevailing privileged elite. When capitalism supplanted these previously feudal and agrarian nations, the cultural framework also began to experience profound changes as power was transferred – first economically – from state to society, and as the entrepreneur emerged in response to markets and their ability to create opportunities for profit. As the capitalist structure matured and proliferated, so subsequently the sociological attachment and culture also changed: the rise of the individual, opposed to the state, in order to ensure the collective good; the rational cognition over the ideological dogmas of the state; and ultimately, a completely new culture – interest-based and rights-based – labeled as the bourgeois culture. Most importantly, this new bourgeois sociology became powerful – first economically, then culturally, that is in its liberal ideas, and in its ability to transpose its requirements of the constitutional rule of law and democratic process throughout state and society.

The results of a recent survey revealed an overwhelming interest on the part of the entrepreneur for rights to private property. Out of a total of 3258 respondents, 74.8% said the greatest problem is the ability to put into effect immediate policy measures by the state in order to realize a truly free environment for enterprise development. Moreover, entrepreneur's revealed significant concerns on the issue of enterprise expansion, specifically in the areas of acquiring loans and arbitrary governmental actions that negatively impact private enterprise. From the survey, 45.6% stated that there are significant problems with the issue of 'clear and rightful protection of private property', specifically referring to added burdens, as noted above, on enterprises in the forms of government allotments (annual expenditure of 43,600 RMB for each enterprise), gifts (annual expenditure of 62,500 RMB) and social connections (annual expenditure of 100,400 RMB) – also titled '*sanluan*' or the 'three disorders.' A vast majority – 82% of respondents - requested the strengthening of legislation in order to combat this problem (Zhang Houyi, 2008).

At an informal meeting in July of 1993, an entrepreneurial representative (in relation to legal protection of private property) articulated this interest-based position in the following way:

To tell you the truth, many employers still have a lingering fear. They want to develop and increase their investment and use their expansion to further production. If you take great pains to struggle to make a comprehensive monetary investment, and if you do not have legal protection, who can tread attentively and with concentration? So, only if there is the appearance of relevant laws and regulations can there be the healthy protection of the development of the private economy (Zhang Houyi, 1999, 273)

The results of this researcher's interviews confirmed the hypothesis that a lack of formal institutionalization, and resultant rule by law and state predation, in turn has led to the development of property-law interests within the entrepreneurial class. In fact, the researcher's first interviewee, a middle aged, male interviewee in Beijing, indicated a need for the rule of law. In response to the question, 'Do you feel that there are any factors which prevent you from maximizing on economic ventures and acquiring wealth?', he stated:

Personal ability is very important. The government has policies that do not support the business class very well, and that is a problem. Also, taxation and tax policies create a lot of pressure for the business class (Witness 1)

He then proceeded by stating

We have private property and also have law regarding the private property. The problem is that the law which is supposed to protect this property is not well developed...The legal system does not protect private property enough. In fact it is far from enough. Many Chinese people do not know how to protect themselves by the law like they do in the West. They don't know how to protect their interests...From the government's perspective, they support the protection of private property – but the business class does not feel this (Witness 1)

As he noted the rule of law in China, specifically related to property, is very weak. Under a Leninist apparatus, the institutions of property-law cannot be effectively developed, and therefore property protection will also remain limited. In similar fashion, a young Beijing entrepreneur demonstrated his growing rationality, and resultant issues with the property-law environment in China, when he linked the issues surrounding the legal environment with the continuation of the one-party system:

I think the multiparty system has its own advantages because the supervision and the control of all things is better. If it's a single party system, we can only move to one direction, the one that the Party tells us. Our government makes a strategic decision, and the whole country follows it. Often the party has a perfect plan so to speak, but the execution of that plan is far from perfect; the bad supervision can bring a lot of new problems. That's why it's very important for our legal system to improve the control and supervision and execution (Witness 12)

Yet another Beijing entrepreneur responded with an understanding of the relationship between the one-party system and the lack of the rule of law. Here he states,

Actually, this country does not belong to the emperor or an emperor-like person, but instead, it belongs to everybody. If they want society to become stable they must change. The pressure from the country, from the world, all pushes the government (Witness 5)

Within the interviews that the researcher conducted, several entrepreneurs highlighted their own specific experiences – and resultant frustration - related to the state's arbitrary intervention in their working environment, and the subsequent negative (and in many instances exterminatory) effects this posited on the entrepreneurs' businesses. A young entrepreneur that the researcher interviewed in Shanghai revealed one phenomenon that the party has employed in the reform era, characterized on the one hand by its strategic move to facilitate economic growth, but on the other hand a strategy that perpetuates an unpredictable environment for emerging entrepreneurs:

I think many business owners will pay attention to politics because I think that is a sign of where we are going. If your business is not going in the same direction as the government there can be walls that are hit. For example, 10 years ago when I was talking to my parents I believed that the industry for gaming and animation would make for a huge sale in China; but at the moment no one thinks that way. ...Nowadays there are huge industries in China producing billions per day or per month really. But this is primarily because the government has already realized it is an opportunity and that there is wealth in this industry. So, companies who are in business in this industry are receiving policy support from the government, and they may even be able to get taxes reduced or cut etc. But I was talking to an owner of a game developing company, and he was worried that maybe this won't last long because the government in the beginning wants this industry to grow, but this can change. If the government and its politics changes overnight and gaming is no longer favored, then guess what, so things like that can change the business around in a day...So a lot of firms may close down because of this (Witness 7)

In similar fashion, a Shanghai restaurant owner expressed significant frustration with the problems he has encountered in his attempts at enterprise expansion within Shanghai. This particular entrepreneur successfully created two businesses (a western oriented restaurant and a food additive import company) within a short period of time, and sought expansion of the restaurant business in other parts of Shanghai. After expending large amounts of time researching the vast and dense compartments of Shanghai, he located one particular area that not only had availability for restaurant

expansion, but that also represented significant potential for a successful venture. In the end, the government intervened and prohibited him from opening a second restaurant in this particular area. In response to the interview question ‘Do you feel there are any factors which prevent you from maximizing on economic ventures and acquiring wealth?’, he elaborated on this experience:

There are some. The main one is related to government. For example, I am looking for other areas to open up additional branches of their restaurant. But in these areas, where there are little shops, the government doesn’t let me open up a restaurant branch there, and in areas that I feel are very advantageous. The problem is that the law is not stable, and it changes every day. Some areas maybe 4 years ago I could set up a restaurant, but after 4 years I cannot set up the restaurant...This is because the law changes all the time, and in my case it kept me from establishing my second restaurant. This is a very important factor (Witness 9).

If you have some guanxi, if you are a leader in the government and you know this person, then you can set up the restaurant. Even if it is prohibited by law, if you know a government official in charge of that area then you can open the restaurant. I am of course not happy with this system. It is unfair. I work very hard (Witness 9).

His wife, who was sitting in on the interview and who is also involved in the business operations, contributed to the discussion by adding the following:

If you want to do business in China, you need to do a lot of socializing (dinners, drinking, etc.) with officials. So we spend a lot of time socializing – this is another business (Witness 9)

Thus, this entrepreneur’s personal accounts reveals the reason why so many industrious entrepreneurs are frustrated with the lack of legal institutionalization: without this protection, officials with direct connections, or those in the private sector with indirect connections, can substitute government relations for industriousness, though, even then there are no guarantees.

The researcher uncovered an interesting finding on this topic of state predation that was initially misinterpreted. Many of the interviewees indicated at some point in the

interview that China's wealth was reaching only a minority of the population, while a majority of the population was still without the benefits of China's market reforms. At first this was interpreted as their description of the dichotomy between the urban and rural areas in China, and thus a continued lack of developmental reach from coastal to inland areas; but this was not the meaning of their comments. On the contrary, their comments were intended to refer to the level of official corruption in China and the extent to which they squeeze the entrepreneur and extract profits and resources from them in order to fill their personal coffers. As one entrepreneur indicated in his response to the question 'How would you characterize the relationship between your business and the government? Do you have good and beneficial relations; or are there some issues?':

There is a relationship. They help the small business owners, because they help you invest your money. Small businesses help employ people and deal with problems, so the government invests in these businesses. But when they get rich the government takes the profit from them. They invest in businesses now, but then take profit away (Witness 9)

One particular entrepreneur highlighted this connection between opportunity – lack of the rule of law – official corruption – and ultimately the increasing burdens and corruption directed towards the entrepreneurial class. In other words, though many opportunities exist, without the rule of law and within the continuation of a one-party system, there also exist an increasing host of problems for China's entrepreneurs. In her response to the question, 'How do you feel about China's new market economy and new societal wealth?', she responded:

A lot of opportunities – the number on the paper looks very well now. But I'm not sure about the reality, what is really going on inside of China. There are a lot of problems with economic development. One of the KPI's (key performance indicators) for local officials is GDP. So you always see that the GDP numbers look like perfect numbers on paper – some are real and some are not real. If they can get GDP higher, then they can also get a higher position, and with a higher position they can get more power and more chance to steal money. So everyone tries to make up the GDP stats. So definitely our country has grown up a lot in the past 10 or 15 years, a huge difference compared to before, but there is a lot of potential danger too. Overall I am concerned; small companies will start to lose business because of taxes and difficulty raising money to develop their business. But in

China the economy depends on these small businesses. For example, recently a couple of factories in Jiangsu province shut down and redirected their capital into the stock market etc. because it was too much pressure for them within this type of environment to run the factories. Small companies have a very difficult time raising money, so they use illegal financing. For example, I am one, I collect the money altogether – I know a lot of rich guys. But it is illegal (Witness 14)

The third entrepreneur to express his economically disastrous encounter with the party-state apparatus was a man who had established an advertising firm with two other individuals in Shanghai. While in his previous position, he observed the growth of the sphere of economic freedom, and the opportunities that were proliferating, and which inspired him to start his own firm and enter the world of entrepreneurship. Though he was optimistic about this new venture, he initially struggled to profit from this newly established enterprise. Not surprisingly, he attributed his lack of growth and success to the lack of formal institutionalization in general and the governmental policies and arbitrary intervention in particular. As he explains,

When we started our business, you know, we are technology-based company so we apply a patent to protect our software. But we find it cannot protect anything, because the market – the very rich market – in it there exist too many competitors and no rule of law. So to be honest in China the property protection, such as intellectual properties, is only a slogan; no one abides by the law. Most of the people break the law (Witness 10)

And as a result, his business was severely affected:

The policy, the government policy creates problems for me. For example, before the financial crisis, the Shanghai government made a decision that all outdoor advertisement would be cancelled, particularly before the Shanghai Expo. So many of the small and middle advertising businesses had to shut down. The government did not want all the commotion of advertising in Shanghai around the expo, so this kind of outdoor advertising was prohibited. They wanted to keep clear the Shanghai streets – no sort of mass advertising. Moreover, internet in China is so limited. About 3 years ago the CCP started to review the content of every website strictly, so many websites disappeared. Around more than 50% of websites of middle and small websites disappeared during the period.

So it is very risky when you run a small business in China. You are always confronted with these kinds of risks (Witness 10)

In fact, this particular entrepreneur was not afraid to voice his opinion and frustration with the clash between his business and the party-state's informal environment. In response to the following two questions 'Do you feel that China's legal system adequately protects your property?' and 'Is it possible to effectively administer the rule of law inside a single party system? If not, what is the solution', he stated, respectively:

It is a slogan of government, just a slogan (Witness 10)

Single-party is the root. You know the CCP I think are hooligans. They are the problem; they are the reason why the rule of law and private property are only slogans and do not adequately exist in society. The government only protects their own benefits (Witness 10)

Thus, the entrepreneurs interviewed not only indicated their understanding of China's informal environment opposed to a formal legal and protective system, but furthermore they indicated overwhelmingly that private property has failed to exist in China. The implications of the entrepreneurial recognition of this void within their environment is formidable: though the Chinese are not only capable of enduring significant frustrations evident in their history of famines, wars, political instability, and underdevelopment, and though they have been conditioned not to oppose the party, the contemporary entrepreneur is no longer characterized by a traditional Chinese parochial nature but is a class that is growing into an independent bourgeois society based upon at least economic and legal interests.

Finally, three different interviewees indicated how property in China is not private and protected but instead is always available to the state for the taking. One entrepreneur, in response to the question 'What is your understanding of private property? Does private property exist in China?', stated:

No. In China things are very different. If you get rich, and you want to invest, then the methods are very different: the government makes them rich and expands their business, but at the same time the government takes all the businesses harvest and it is



easy for the government to do this. One minute you can be rich and the next poor because of this...so for my property this has a big influence; the business may be big, but the profit small because the government takes this. I will invest my money into other businesses etc. but I will lose this money because the government will take it away (Witness 9)

Yet another Shanghai entrepreneur responded to this question with not only a definitive 'No', but she furthermore articulated what must happen if this whole system of corruption and informalism that perpetuates a lack of property-law environment is to be eliminated:

The Chinese government robs and takes property, and will use all kinds of different excuses to take it away. Did you know that even if you die in China and want to buy a burial spot, you can only get the right for 20 years. Either you are refunded, or if they cannot find kin, they just throw it away and use the land. And also the land is always owned by the government and housing for example is only yours for 70 years. Everyone knows it (noncompliance with the law) isn't right, but everyone still does it because they know they can't survive without it. I used to talk to my husband and I told him that if you don't do this you will not have any business. He said I don't want to do that. He said I hate that. I want to come here and help the Chinese make changes. I said alright, do you know the meaning of revolution? It means somebody needs to lose blood, some people need to lose heads. You come here to make money, if you want to do that – great do that. Maybe after two generations revolution will happen, but it will not change for a long time (Witness 14)

When asked this question in an interview in the spring of 2012, a Shanghai entrepreneur responded with veritable frustration, more so than in any other interview the researcher conducted. These were his words:

Yes of course we have big problems. Registering for example: so you have to 1) find an agency who will charge you for the services because they have very special relations with the government; 2) do by yourself! [there was sarcasm on his part as he inferred this is not an option] You have to do it one, 2, 3, 4, 5, 6 times and on and on. Also right now I am continuing to deal with what happens after you register: all of your personal information will be released, which is then followed by endless solicitations. Also once you register you are forced to pay money to attend training to learn how to pay taxes; yet everyone

already knows how to do this – it is just a money-maker. Also to pay taxes they forced me to buy a device to pay my taxes, costing 2,500 RMB; and before ever using the device I was informed that the device was no longer needed and now I was told I have to buy a whole different device for another 2,500 RMB. All required by the tax bureau. The manufacturer of the device is a family member of one of the government officials (Witness 18)

One particular interviewee indicated that although China is positively developing in many ways, in terms of its economic indicators, quality of life indicators and societal differentiation, in many other areas there are serious concerns, most specifically this environment of informalism as a result of the one-party system (Witness 14). As she notes,

The entrepreneurs are very desperate. The truth is if you want to do well you need to have a lot of good government relationships. And you need to make a lot of dirty deals with them. For us we feel it isn't right, but we have no choice if you want to run and expand companies. Also I heard from some of my friends that it isn't that you only don't get enough support from the local government, but also if their business begins to run very well the local officials will feel jealous, and if that official's brother or sister want to run that business, they will even try their best to take it away (Witness 14)

Finally, on the issue of private property in China, one particular interviewee stated 'My generation has the mentality of 'you are not taking away my property' – we won't let it happen' (Witness 16). Thus, the evidence suggests the emergence of an entrepreneurial class that is not only recognizing China's environment of informalism and protective deficiencies as a result of their growing rationalism, but furthermore, a class that is developing interests that attempt to ensure the protection of private property through the institutionalization of the rule of law that restrains the state and protects the individual. The Chinese entrepreneur has thus 1) become rationally and individually minded, and secularized to the state's longstanding ideological propagation, as a result of China's unprecedented experiment with economic freedom; and 2) property oriented, and increasingly intent on securing a real constitutional governance as a result of its direct contact with China's growing and unchecked official graft. Thus, this begs the question: to what extent has a politicized

entrepreneurial class – a bourgeoisie in the political sense of the term, as a class for itself - emerged in China?

## **Conclusion**

This chapter has established the extent to which the second independent variable – that of the de-institutionalized political system, and its resultant state predation and lack of legal institutionalization - has influenced the positive evolution of an entrepreneurial class in the form of property-law interests. Section one established China's continued failure to establish a system of law that protects the individual and restrains the state. The reform era's opening up to the outside world, particularly the sociological product of capitalism – the stratification of sociology in general and the rise of a business class in particular – has forced the party to also implement changes in the political organization. That being said, the party has remained exceptionally strategic in its political moves; it has discussed concepts such as constitution, democracy, and the rule of law, but these have remained theoretical rhetoric instead of any real empirical institutionalization. Equally, the party has continued to imbue society with its absolute and omniscient ideology, though, this has not upheld its legitimacy as has been the case in the past. Instead, the convergence of an independent and rational sociology and increasing state predation and privilege has caused societal disaffection in general and entrepreneurial disaffection in particular.

Section two established a case for the rise of a contemporary liberal entrepreneurial class in the specific development of an interest-based class, and substantiated through interviews with entrepreneurs as well as recent empirical evidence from within China. Cases not only abound in the area of state predation, particularly official graft exercised in the form of bribery, extortion, and law enforcement abuse, and have increased significantly in scale in recent years, but furthermore, society is becoming increasingly intolerant to this abuse of political power. The entrepreneurial class is especially affected by this level of state predation, and as a result, they are increasingly vying for a system of law that protects their rights as property owners and individuals, and restrains the state from arbitrarily reaching into their lives.

In order for the rule of law to effectively institutionalize within society, fundamental political changes must commence, specifically, the transfer of power from state to society through the implementation of the constitutional rule of law and democratic process. Thus, if China is to realize democratic governance through a bourgeois power struggle, the third and final stage of strengthening their independence and organizing bourgeois political power must successfully develop. The evidence in the previous chapter pointing to the successful growth of a liberal entrepreneurial class in the way of rationality, individualism and opposition to absolute ideology, as well as the current chapter's evidence supporting the rise of an interest-based entrepreneurial class, suggests indeed that the foundations should be set for the rise of a political bourgeoisie – a class for itself with the constitutional rule of law and democratic process as its object. Thus, the discussion in the following chapter will turn to the issue of the entrepreneur's political alignment, the extent to which they embody liberal political values, and their autonomous organizational activity and future potential.

## **8. China's Private Entrepreneurs: Towards Political Independence, Liberal Political Values, and Organized Political Power**

### **Introduction**

This chapter seeks to answer the research question ‘To what extent does China’s entrepreneurial class embody liberal political characteristics such as independence from the party-state; liberal political awareness and a rights-based platform; and active engagement in political discussion and organization?’ It examines the extent to which the third stage of liberal development has emerged in the Chinese entrepreneurial class. The variables of political alignment within the entrepreneurial class, liberal political values and autonomous political organization, centered on the application of the emerging rights-based framework, is imperative for the implementation of the bourgeois political framework: the constitutional rule of law and democratic political process.

The first section of this chapter will address the issue of the contention between state and society, particularly the battle between co-optation and dependence on the state, and the independence of the entrepreneurial class. This has proven to be a widely discussed issue within the context of China’s reforms and changing sociological structures and organization, with a historical view that co-optation, dependency and ultimately an illiberal entrepreneurial class prevail in contemporary China. On the contrary, evidence suggests that the entrepreneurial class is in fact disinterested in CCP membership, or any other formal association, whether state or party organs. Instead, they view the path of party affiliation and allegiance, and its inevitable entrenchment once commenced, as more of a liability than a benefit to its socioeconomic progress. This then has important implications not only for the future progress of a liberal class, but furthermore for the characteristics of this path – whether more towards gradualism or revolution in the campaign for political institutional change.

The second section examines 1) the level of political awareness and liberal political values within the entrepreneurial class and 2) the level of organizational agency within the entrepreneurial class. A recent and important development has been the rise of the *Baling Hou* generation and the implications they present for the future of Chinese politics, especially the *Baling Hou* entrepreneurs, as a result of their tendency towards liberal political values and active engagement in political discussion and organization. They are becoming conscious of the need for institutions such as the separation of powers and the overall mechanism of democratic process. Furthermore, the proliferation of Internet accessibility and overall use has formed a vehicle – most utilized by the *Baling Hou* generation – for politicized discussion and organization, fueled by the growing exposure of the party's longstanding abuses of political authority. Thus the party seems to be slowly losing its grasp and control over the mobilization of liberal forces swelling from below. Ultimately, the independent political alignment of the entrepreneurial class, as well as its growing liberal-political orientation suggests a foundation supportive of the eventual evolution of a class for itself with these liberal principles as its object.

### **8.1 Private Entrepreneurs and the Party: Co-optation or Entrepreneurial Independence?**

In the western transitions, a pivotal juncture in the development of classes and their interaction with political institutions was the degree of success of the state in engineering a continued loyalty to and dependence on the state. In England, the state was largely unsuccessful in diverting rising liberal elements: the rising sociology's relative independence was made possible with the diminishing sphere of political absolutism as well as a veritable sphere of economic independence and opportunity, the consequence of which was the explicit growth of not only a state-independent bourgeoisie but furthermore one that fused the ranks of officialdom with its quest for liberal transformation. In the case of France, the state managed to prolong its absolute power, the consequence of which was not only the diversion of liberal elements into the state, but also the continued dependence of conservative elements. Nonetheless, economic factors, and the subsequent sociological transformations, were able to eventually penetrate the state and implement bourgeois political principles.

In similar fashion, the CCP has attempted to curb the social forces that are rising beneath its control through a two-fold strategy of co-optation and corporatism (see Dickson, 2003), though, as was the case in the state's unfolding in the west, the CCP strategy has remained largely unsuccessful; that is, although it has maintained an entrenched political elite, the rising forces below have been disinterested in affiliation and dependence on the state, most importantly, as a means for acquiring privileges in an environment that remains informal. Instead, political involvement or affiliation on the part of private entrepreneurs tends to be one that is purposed with a desire to reform the traditional institutions rather than capitalize on the privileges they provide.

In China, state co-optation – in particular the lure of party membership - has been introduced in order to compensate for the erosion of traditional political institutions which had previously represented the only path to socioeconomic elevation – and ultimately power. With the creation of new economic structures, as well as new sociological structures that are increasingly independent of the state and engaging new modes of association, organization and thought, the party has begun to lose its control over society. Thus, within the party's shifting and adapting strategy of managing and manipulating the rising culture it has attempted to engineer the rising sociology – through its use of ideocracy (Chang, 2002), corporatism, and co-optation – in an effort to replace previous social and political institutions that had acted to ensure their dependence and support (See Dickson, 2008, 2006; Hughes, 2006).

The historically unprecedented speech by Jiang Zemin in 2001 marked the party's attempt to develop corporate control over the entrepreneurs through the mechanism of party co-optation, mirroring the traditional state practice of diverting capitalist forces from independence and power and into weakness through dependence on the state. In 2001, the CCP called for the growing entrepreneurial class to join the ranks of the party:

There are, among others, entrepreneurs and technical personnel employed by scientific and technical enterprises of the non-public sector, managerial and technical staff employed by foreign-funded enterprises, the self-employed, private entrepreneurs, employees in intermediaries and free-lance professionals...Under the guidance of the Party's line,

principles and policies, most of these people in the new social strata have contributed to the development of productive forces and other undertakings in a socialist society through honest labor and work or lawful business operation...The basic components and backbone of the Party are those from workers, farmers, intellectuals, servicemen and cadres. At the same time, it is also necessary to accept those outstanding elements from other sectors of the society who have subscribed to the Party's program and Constitution, worked for the Party's line and program wholeheartedly, and proved to meet the requirements for the Party membership through a long period of tests (Jiang Zemin, 2001, v)

Jiang Zemin's announcement was profound not only in the fact that it represented a rare act of party support for the entrepreneurial class, but also in its implications - that the CCP has reached a point where it is fearful of the entrepreneurial class and its continued growth outside the party. The strategy of co-optation then is in response to the lack of the rule of law and the party's objection to its institutionalization, though understanding of the growth of a private sphere below and its need for property protection and growing interests, and designed to substitute entrepreneurs' dependence and attachment to the coercive and absolute powers of the state for the established institutionalization of the rule of law (Yasheng Huang, 2008, 91-92). Despite the party's attempts, the entrepreneurial class has moved in the direction of independence from the party in order to ensure that their interests are recognized and their rights protected.

There are a number of reasons as to why certain members of society have joined the ranks of CCP membership. As one author notes, they include devotion to the ideological idealism and objectives of the party; pressure from either family members or elders to join the party; desire to acquire social and economic capital; increasing rates of college graduation, and corresponding pressure to find work, which has created a certain degree of appeal in party membership and its part in facilitating job placement; and a 'join the crowd' mentality of blindly following behind those who decide to join for various reasons (Feng Haiyan, 2008). Nonetheless, the private entrepreneurial class has employed limited initiative in joining the ranks of the party organization.



Research by Chinese political sociologist Zhang Houyi confirms the entrepreneurs' disinterested response in CCP membership. Although between 1993 and 2002 the number of entrepreneurs who joined the party rose, the absolute number remained relatively low: 1993: 13.1%; 1995: 17.1%; 1997: 16.6%; 2000: 19.8%; 2002: 29.9%. According to the Fifth National Sampling Survey, between the time of the famous speech by Jiang Zemin and 2008 only a small number of entrepreneurs had joined the party; 70% of the respondents indicated that they were non-party members, and only 10% out of these respondents indicated a future desire to join the party (Zhang Houyi, 2008, 298; Zhang Houyi, 2004b, 48). According to the eighth national sampling survey, out of 4098 respondents, only 1372, or 33.5%, had joined the party (Zhang Houyi, 2011, 281). Furthermore, a survey conducted in Shenzhen revealed that beginning in 2001, the average yearly membership rate was over 5000, yet, private entrepreneurs represented a negligible 48 out of 5000, or less than 1% (Zhang Houyi, 2004b, 48). And, a survey conducted in Guangdong Province of 100 private entrepreneurs revealed only 31 party members; of the 69 non-party members, half indicated no desire to join the party and one quarter indicated a sense of ambivalence in future membership (*ibid*). Finally, when entrepreneurs were asked in a survey the desirability of party membership as a vehicle for political participation, only 11.9% responded favorably (Zhang Houyi, 2008).

The evidence indicates a particular significance underlying these figures: party members, or those who are interested in joining, are either 1) formerly party members before embarking on a path of entrepreneurship; or 2) the case (that is in decline) of a private entrepreneur incentivized by a desire for access to resources and privileges. Some have coined them the 'Red Capitalists', inferring their allegiance to the state over their role as private entrepreneurs (Dickson, 2010, 39). With regard to the eighth national survey, 87.7% of those who joined the party did so prior to 2001 (in other words prior to Jiang Zemin's speech calling on entrepreneurs to join the party) (Zhang Houyi, 2011, 281); and the main factor behind the increase in party membership was the conversion of state-owned enterprises and thus the shift from managers of state-owned enterprises to private entrepreneurs (Zhang Houyi, 2004b). For example, in a survey conducted of 565 party entrepreneurs, 47.3% of the respondents' previous occupation was within the state-owned enterprise: 18.5% from national state-owned enterprises, 14.9% from the city and township collectives enterprises, and 13.9% from

the village level enterprises (Zhang Houyi, 2002, 93). As he notes: ‘It seems that these state-owned institutions furnished many of the resources that are indispensable for the creation of their enterprises’ (Zhang Houyi, 2002, 93).

The same holds true with the entrepreneurs’ involvement in the state organs: involvement is relatively limited, while those involved are allies of the state, not forgers of liberal institutional change. In surveying 565 entrepreneurs regarding their participation in the People’s Congress, only 17.4% indicated involvement; in surveying 1,143 entrepreneurs regarding their participation in the CPPCC, only 35.1% indicated involvement. On the other hand, in surveying 2,712 entrepreneurs, 83.4% indicated their involvement in the association of industry and commerce; and when surveying 1,562 entrepreneurs, 48% indicated involvement in either a private association or the Association of Private Businessmen (Chen Guangjin, 2002, 46). Furthermore, as Kellee Tsai notes, although entrepreneurs are involved in state organs (the CCP, CPPCC, NPC and village committees), their involvement in fact is not active but instead is of a passive nature. Entrepreneurs who are actively involved in these organs have much less to say in terms of party-related grievances and concerns than do those outside of the state – even those entrepreneurs that are considered “assertive” in nature (Tsai, 2007, 123-129; 148-149).

The interviews the researcher conducted further supported the claim that the private entrepreneurs are disinterested in joining the party in general, and in particular as an avenue for political participation. In fact, not a single entrepreneur interviewed was a CCP member, nor did any single entrepreneur indicate a desire at some point to pursue membership. Furthermore, those who elaborated as to why they were disinterested in party affiliation indicated that it was because it involved expending resources, especially time and money. In early 2012 the researcher was able to meet with a Shanghai entrepreneur who was originally interviewed in late 2010, and in our conversation he stated that interactions and relations with government for business purposes and development are undesired as a result of its lack of value – more cost than benefit is involved in terms of expending time and resources (Witness 7), not to mention, the risk involved as the entrepreneur becomes more embedded in this dependent relationship. When I first interviewed him in 2010 and asked ‘Are you involved in the CCP?’ he provided the following explanation:

No, but my dad is. He is secretary in the party over the school. Interestingly, my dad hasn't encouraged me to become a CCP member. Before there was a huge effect to becoming a CCP member and it use to be hard to get into the party. But nowadays...many people are really concerned about whether I get good pay, etc. Before business owners were considered as capitalists which were considered bad – that is related to the Cultural Revolution. Maybe 10 years after no one talks about it anymore. But really there wasn't anything on paper that said those people could join the party; so that [2001 when Jiang Zemin announced the welcoming of entrepreneurs into the party] was a moment where now those business owners can officially join if they want. It isn't forced; but for a younger generation, and people like me, we don't think in that way, we don't care so much. It is certainly related to your background (Witness 7)

Related to the entrepreneur's disinterest in CCP membership is their growing detachment from an interest in utilizing informal-personalized channels of the coercive-corrupt state, such as through bribery, to meet its business requirements. With the absence of efficacious formal-democratic avenues, the entrepreneur is inclined to use means related to personal relations. Some resort to personal friends, who may be of help in combating arbitrary state practices that hurt business owners and enterprises (Tsai, 2007, 130-131); whereas other entrepreneurs may bribe officials (gifts) in order to access resources, diminish state interference and therefore expand enterprise to a position of power (Malik, 1997; Krug and Polos, 2004):

While smaller-scale entrepreneurs tend to suffer more from predatory behavior from state actors...[large] private entrepreneurs benefit from bureaucratic protection and favors, while cadres benefit materially (or otherwise) from providing such services (Tsai, 2007, 58)

But as evidence suggests, this has, and increasingly continues, to suffocate the entrepreneur's business, delimiting their ability for growth more than facilitating their expansion and overall productivity. For example, entrepreneurs who do decide to expand their business within China's environment of informalism but fail to garner necessary connections are faced with heavy taxation or even complete extermination; and those who are profitable but who fall under state radar typically expend all remaining capital – instead of investing it back into the economy – in order to avoid

the state's hand in their profits (Malik, 1997; Krug and Polos, 2004). As two different entrepreneurs stated:

“I cannot speak easily about the future of individual businesses in China. It is hard to say anything because I do not know if the policies will change or not. Maybe the government will go back to the 1960s when they [private businesses] were collected altogether” (Malik, 1997, 10)

“I do not know about government policy. We somehow know that the future is not stable, so we are very afraid to expand and risk what we have” (Malik, 1997, 10)

Thus, a strong base of *guanxi* – though proven one vehicle for entrepreneurial support - has also proven an unreliable, and an undesirable, solution. A recent *China Daily* article noted that “all firms with annual revenues of \$1 million or more seem to have required some form of support from officials, who serve as gatekeepers for all forms of licensing, sourcing, and financing” (‘Business is not the Same in China’, 2010); but the recent conviction of Huang Guangyu – China’s richest entrepreneur – highlights the costs involved (Macartney, 2010). As individuals rise to a position of independent wealth and power in society, such as Huang demonstrated, they become targets for the CCP and therefore survive by developing widespread influential connections in the party. If they fail or are perceived as a threat by the party, rights are stripped from them and they are neutralized. Huang is only one of many who have fallen victim to the party’s absolute authority. As Dickson notes, ‘arrests are viewed not as indicators of wrongdoing but of poor political connections’ (2010, 33).

Thus, a division is emerging between the rise of an independent entrepreneurial class and an entrenched conservative entrepreneurial elite. In Mooreian terms, a parallel can be identified between China’s previous managers of SOE’s or party cadres, and their transition into a conservative elite, and the ‘old regime bourgeoisie’ as identified in the French evolution – those social elements with privilege, who represented traditional and conservative characteristics and who remained dependent on the state. In England, of fundamental importance was the fact that the ranks of the aristocratic, feudal appendages of the monarch, were increasingly assimilating into the ranks of the rising bourgeois sociology. Most important here was that fact that in England the

strength of parliaments created a demand for rights outside the purview of the king's power; thus, the landlord-controlled parliament and the assimilation of landlords into the ranks of bourgeoisie prevented the need for revolution – the overthrow of the political apparatus. France, on the other hand, traversed in a different direction (Root, 1994). The aristocratic elements diverted much of the bourgeoisie – initially – to the allegiance of the monarchy, creating an entrenched conservative elite alongside the relatively enduring strength of the modernizing state (Moore, 1966, 59). Here, an independent parliament failed to form, while an entrenched elite continued to support the absolutism of the king (Root, 1994). Alternatively, what developed was the increasing independence of the newly emerging bourgeoisie within the sphere of economic freedom and under an increasingly entrenched political elite, the consequence of which was a delayed - and more violent - route in the eventual triumph of the modern bourgeoisie.

The implications of the French case are instructive in assessing the overall trajectory of a Chinese liberalism. Although China's entrepreneurial class is developing interests in the way of property-law as a result of growing corruption, and furthermore, is increasingly desirous of an independence from the party instead of the resort to its political monopoly and coercive powers, the entrepreneurs are not able to retain an independent power base within China's parliaments – the People's Congresses are not independent of the party. As a result, as indicated in the following section, China's entrepreneurs are interested in exercising their independence within alternative spheres of organization. The consequence in France was a delayed and more violent route to realizing democratic institutions. In China, the transformation in many ways has been delayed; the unanswered question remains: to what extent will China's transformation erupt in violent revolution?

Ultimately we see the emergence of an entrepreneurial class that demonstrates an overall desire for independence from the state. First, they are disinterested in CCP membership – a membership that infers a symbiotic and dependent relationship with the state; and we see that those entrepreneurs who represent CCP membership and close allegiance to the state were in large part first traditional state agents prior to any entrepreneurial affiliation. Second, they are increasingly unmoved by any advantages in the exercise of *guanxi* involving corruption as a result of the growing disadvantages

within this system of informalism. The high cost involved when engaging China's growing corruption has instead engendered the growth of an initiative that seeks to find a new and liberal institutionalized resolution – that is the constitutional rule of law and democratic process - to the problem of unprotected private property.

## **8.2 The Politicization of China's Entrepreneurial Class**

### *Political Awareness and Liberal Political Values*

At this point in the analysis of China's liberal entrepreneurial development the requisite conditions for liberal development have been met: economically, the class is independent, rational, secular and increasingly powerful; legally and culturally, they are developing interests in the way of property and law; and politically, they are indicating their desire for independence from the state, both in terms of party membership and in terms of reliance on *guanxi*-party connections and relations that utilize and employ the coercive power of the state. What remains is locating evidence that indicates that the entrepreneur is embodying of a liberal political value base, and, the extent to which the entrepreneurial class as a whole is actively associating and organizing around their interests and in an effort to exert their rights over the state's privileges and monopoly on political power.

At the crux of the search for such liberal-political evidence is locating political values that support the shift in entrepreneurial perceptions of political organization, from China's traditional societal view of the morality of leadership and a passive approach to political engagement to the liberal view of accountability of leadership and an active political citizenry. Political organization based around the morality of leadership precluded the inclusion and input of society, outside of the rare stipulation that in the case of an immoral ruler society could intervene; on the other hand, political organization based on the accountability of the leadership fundamentally shifts power and is based on a new conception of state-society relations – towards society's superintendence of government, ensured through constitutional governance over the rule by law.

Thus, societal superintendence of government becomes the ultimate desire of the emerging bourgeoisie, connected to and emanating from the rise in freedoms within the sphere of economic independence as well as the acquisition of private property, and the subsequent rise in interests, and in an effort to permanently guarantee the exercise of individual freedoms and to protect what is increasingly viewed as fundamental rights within society. This includes the separation of powers: a judicial branch that upholds the constitution, not a political elite, and that therefore also upholds the rights of the people, and a legislative branch that implements legislation in response to the interests of the people. And fundamental rights and freedoms, such as the right to vote which places power in the hands of the people, thereby ensuring their representation; and the right to assembly, the right to private property, and the freedom of speech and press.

These particular liberal values became paramount to the discussion in China surrounding the emergence of the middle class in the context of reform and opening up, particularly beginning in the late 1980s. In fact, many scholars viewed the emerging middle class not only as the foundation for democracy but furthermore as the primary force for democratic change, observed most explicitly by the late 1990s (Li Chunling, 2009, 55-57), locating a particular middle class political attitude that emphasizes political transformation (Li Chunling, 2009, 56). In the words of one Chinese political sociologist, ‘their class consciousness and political participation in fact has been sprouting’ (Zhang Houyi, 2004b, 48).

Within the emergence of China’s contemporary middle class we can observe the growth of political consciousness within the entrepreneurial class in particular, and even more specifically, within the *Baling Hou* generation of entrepreneurs. The *Baling Hou* generation has been clearly demarcated from past generations, most of all for their level of independence and activity – such as social activism, use of Internet mediums, and criticism of political abuses of power (Zhu, Shan, and Hu (ZSH), 2011; Jing Lin and Xiaoyan Sun, 2010). They are otherwise known as the ‘Torch Generation’ or the ‘Bird’s Nest Generation’ who have a particular aptitude for ‘independent thought’ (ZSH, 2011, 327). A recent article on the *Baling Hou* generation noted the specific liberal characteristics of this generation: they embody and promote autonomy and market growth; they are active in their communities; they

are ‘Netizens’, or ‘active participants in the cyber world...notably...nearly all college students are Internet literate, perhaps showing the effect that higher education has on the Internet savvy of the post-eighties generation’; and they are active in voicing their concerns, utilizing the Internet for information and as a vehicle to drive their concerns – they ‘desire to seek what is right, fair, true, and transparent’ (Jing Lin and Xiaoyan Sun, 2010, 235).

A general survey on the *Baling Hou* generation recently produced by the Chinese Academy of Social Sciences, which surveyed the orientation of their political values, revealed an overwhelmingly liberal response. As a result of the potential sensitivity of the findings, the report was published internally and thus is not widely accessible. Some of the findings, presented in an article by Stanley Rosen, reveal the following liberal values among the *Baling Hou* generation: ‘In terms of belief systems, 72.7 percent chose “individual struggle”...more than 61 percent identified with liberalism (*ziyou zhuyi*, 自由主义) and found it to be a concept of universal moral significance...[and] close to 36 percent of respondents endorsed the concept of “separation of powers” ’ (2009, 366).

The researcher’s interviews with entrepreneurs in Beijing and Shanghai further supported the notion of an entrepreneurial class that is politically aware and embodying of liberal political values. The majority of liberal responses were from those interviewees in Shanghai; nonetheless, the researcher did receive liberal responses from various entrepreneurs in Beijing. For example, an interviewee in Beijing noted the following:

I pay a lot of attention to politics but I am not interested in it. I pay a lot of attention to the issues, but I don’t want to get involved in it. I pay close attention to it on the news, but I don’t want to join politics (Witness 1)

A separate Beijing entrepreneur stated the following: ‘I watch politics on the TV and read about it in the newspaper and on the Internet. I do this to be aware’ (Witness 3). And yet another Beijing entrepreneur, when asked ‘Are you interested in China’s politics? Do you think business-people should take an interest in politics; or is it best to keep politics and business separate?’, responded in the following way:



Every Chinese is interested in politics...Right now everyone is watching *Xinwen Lianbo* (新闻联播), a most popular program on CCTV. They like to watch this. I am interested in being aware and watching, but not interested in becoming a politician. Right now it is not our time, maybe after 100 years it will be (Witness 5)

Others responded: 'Yes and most business people are and should be' (Witness 7); and 'Of course the business people should be interested and aware of what is happening with politics. It is a very important market intelligence' (Witness 10).

The entrepreneurs interviewed also indicated consciousness of liberal political values and the need for their application, including, reference to democratization and a multiparty system, which reflected a desire for the right to vote; the importance of the separation of powers within the political system in order to prevent abuse of political power; and the freedom of speech and press, indicated in their growing use of Internet mediums in the absence of alternative modes of free information gathering and space for freely expressing opinions. The foundation for the entrepreneurs' embracement of liberal political values is the growing intervention of party officials in the economic sphere, particularly, abuses of political power which have compromised their full rights to private property. In turn, the common theme that emerged from the interviews in terms of liberal political values is the entrepreneurs' recognition of the need to introduce mechanisms to check the power of the officials. Thus entrepreneurs have indicated a growing demand for new and liberal political institutions.

An important development within the entrepreneur's framework has been the understanding that the party is only responsible to internal persons and entities, not to society as a whole, and thus abuses abound - opposed to the morality that the party has claimed. In an interview with a Beijing entrepreneur he stated: 'We have representatives for the elections, but normal people don't know much about these people, they don't have enough information. There are a lot of reforms in China, but the intention behind the reforms are for the government to protect its own interests so it doesn't matter if these reforms are good for the people or not' (Witness 1). Interviews with Shanghai entrepreneurs yielded a high number of similar responses. In one interview, when asked 'Is it possible to effectively administer the rule of law

inside a single party system? If not, what is the solution?’, he stared at the question for at least a minute without answering. I proceeded to tell him he could skip over this question if he wished. He said ‘no I will answer it’, and after another minute or so, and a blushed look over his face, he stated ‘this is a very sensitive question’ (Witness 9) and we moved on.

Two interviews conducted with Shanghai entrepreneurs in April and May of 2012 revealed similar responses. In response to the question ‘What is your view on corruption in China? Do you feel a need for the rule of law in order to limit corruption and protect your property?’, one interviewee stated ‘Guanxi and relationships are at the heart of corruption and ultimately the one-party system. It’s all connection based and one person only answers to their boss, etc. There are no checks and balances – they wield so much power. It’s only under a very few cases that the law is explicit and doesn’t allow for corruption, but the vast majority are grey and therefore encourage corruption’ (Witness 16). In a second interview with a Shanghai entrepreneur, when asked ‘Is it possible to effectively administer the rule of law inside a single party system? If not, what is the solution?’, he stated: ‘I can fix some bugs, but not all so I have a fundamental problem, the government, which can come up with new rules at any time to control the industry. Thus, there is a saying in China: ‘To make money is easy, to keep money safe is difficult’. At the end of the interview he stated: ‘It also goes back to the party – it is unfair’ (Witness 18).

As a result of this emerging awareness of the problems in China in general, and their root in particular which rest with the one-party system, China’s entrepreneurs – affected more than any other class – have begun to value a political system that checks imperious governmental authority. As entrepreneurs indicated in personal interviews, they are beginning to discuss and value the democratic process. In response to the question ‘Do you think that China will retain a single party system for a long time?’, a Beijing entrepreneur responded with the following: ‘I think in the future it is going to be a multiparty system, but not for another 20 years. Maybe nothing will change for another 20-30 years. The Chinese society has to change first’ (Witness 12). An interview with a Shanghai entrepreneur yielded a much more explicit reference to the democratic process. In response to the question, ‘Do you think the government will introduce direct elections for people’s congresses?; Would

you support this move now; and what is your impression on the views of business-people on this question?', he stated:

Impossible! I am very certain. I think it [direct elections] is a good idea, but it is impossible at the moment – maybe 5 years later, or 10 years later. It is of course a very good idea for my business (Witness 10)

He then went on to say

I think democratization [民主化]. Maybe in the very near future, within 10 years, I really think. I don't think there will be a revolution, but I think there will be democratic political reform; and I hope that the entrepreneurs will have a big part of this. The darkness before some reform, maybe 10 years later we will become another US or UK. I think people will live better than now, but entrepreneurs must have a more friendly environment instead of struggling to break even. You know most of the profits are taken by the government, through taxation and many other ways; and small and middle businesses are scratched (Witness 10)

Furthermore, an interviewee in Shanghai demonstrated depth in her understanding of the endemic problems within a one-party system, specifically observed in her mentioning repeatedly the phrase 'dirty politics' in reference to the party-state and its depth of corruption, and ultimately the problems this presents to the entrepreneurial class. When asked 'Are you interested in politics? Do you think business-people should take an interest in politics; or is it best to keep politics and business separate?', she replied,

Chinese politics are dirty. When I was twelve years old I already knew that Chinese politics were very dirty – it is a very dirty game. Do you know why? In China's schools they always have different kinds of levels. They call it kids officers. It is very complicated – they learn from Russia. Each school has a pioneers system – the number one student represents the whole pioneers and he or she should be the model. Actually, they announce that this person was selected by the students, and each party gives a speech and the students can come to vote. But teachers like kids like me. I will not be too dangerous, I will not be a big mouth girl, and I will study well. One of the teachers had an individual meeting with me and said 'if you are selected as the number one student, what will you

do?’...if...right! [laughing]. I knew I was not very popular and I knew I would not be selected by the students. But when my teacher asked me that, when I was 12, I told my father I will be elected for this position, because everything is fake in China if you talk about elections, politics – everything is fake...so I was elected but it was not a real election. If the government says ‘A’ we will understand it as ‘B’ or ‘C’ – as we don’t believe it (Witness 14)

Furthermore, when asked ‘Do you think the government will introduce direct elections for people’s congresses? Would you support this move now; and what is your impression of the views of business-people on this matter?’, she stated,

They already announce that they are doing that [laughing]. Unless they lose power and are kicked out, they will never do that.

Some people say we need to wait until the country is managed by the *Baling Hou* generation. I think when the *Baling Hou* are in their 40s - in 15 more years – that we might have a chance. But the dangerous thing is that we have too long of a history, and as soon as you get power, maybe they too start to enjoy the power in their hands.

I recently got a chance to watch an interesting documentary on Tiananmen Square in 1989. The woman making the documentary is American but grew up in China...one point she made concerned the students who tried to organize and fight against the government: one of the protestors (called Chai Ling), who was suggested for the Nobel Peace Prize and who was a student leader at Beijing University, began to develop into those people who get the power in our country and all do exactly the same thing, because we are raised this way – in a way that encourages one who acquires power to take advantage of it. But this is twenty years later and things are different and the hope is in the *Baling Hou* generation.

I hate this system and I wish it can change (Witness 14)

Thus as evidence indicates, China’s *Baling Hou* generation of entrepreneurs are aware of the endemic problems within the rigid and entrenched institutions of China’s one-party system, and its intent on remaining unreformed. Most importantly, they are developing political awareness and political values, based upon an open political system that is accountable and which grants significant power to society, as a result of the ongoing contention between their working environment and the state. They

demonstrate an understanding of where these problems originated, and why they continue to persist, and therefore, they are becoming politically aware and embracing of liberal political values. The *Baling Hou* generation of entrepreneurs, and the Internet mediums which are coming to represent the vehicles for the organized activation of this political awareness and liberal value orientation, reflecting the salons and cafes of revolutionary France and England, seem to be the future force behind China's political bourgeoisie.

### *The Evolution of Rights-Based Organization*

As aforementioned in Chapter 3, civil society emerged in the wake of the decline in the state's socioeconomic organizational framework, and the supporting institutions, and the void it left in the way of socioeconomic provisions. Society's response was to fill the void with new – and autonomous – forms of social and eventually political organization; and it was a sphere which was initiated and forged by the rising capitalist class. As a result of its individualistic and autonomous nature, it also evolved into a sphere defined by its campaign for equality of conditions and the protection of fundamental rights and freedoms; thus arose a new institutional framework based upon the emergence of a large and empowered sociology, and their corresponding philosophical framework, and which worked its way through and over the state – ultimately establishing a shift in majority power from state to society.

The notion of a civil society, let alone the maturation of a bourgeois society, has never been widely accepted or applied in the Chinese context considering China's lack of economic freedom and the continuation of state power over societal power. Whereas in the West there exists an identifiable sphere of civil society, in China there has historically existed a different concept – that of a mass society. The implications of a mass society are in stark contrast to a civil society; whereas in a civil society there exist citizens, who hold autonomy and power, in a mass society there are subjects subordinate to the state that hold little power and awareness. Therefore, the conception and evolution of a Chinese civil society has been a significant challenge for Chinese society as a whole (Ma Shu-Yun, 1994). Nonetheless, in contemporary

China evidence suggests the growing formation of this public sphere and its role in inducing political institutional change.

Although examples of society's organizational power, such as the case of Wukan, primarily involved the peasantry and not the bourgeoisie, these cases provide an interesting parallel to the development of liberalism in the West. As noted in Chapter 3, in the western context of development, the peasantry were first subjected to the abuses of the state and its sociological appendages (such as the enclosures in England or the property abuses in France). In England they were eliminated; in France they developed a certain degree of shared interests, though incoherent in organization, and eventually joined forces with the disaffected town dwellers – the bourgeoisie – and revolted against the state, with the bourgeoisie as the leaders of revolution. The factors which underwrote France's divergent sociological structure have already been discussed; but what is significant is how they acted to shape France's sociological development, that of an entrenched old regime bourgeoisie clinging to privileges while an independent bourgeoisie and peasantry rose in opposition to the political institutions, and which ultimately led to a more violent route to constitutional rule of law and democratic process (Moore, 1966, 73).

Recent evidence supports the existence of an entrepreneurial class that is not simply autonomous from the state and embodying of liberal political values, but a class that has moved towards utilizing its independence and exercising organizational agency. The institutions of civil society so imperative for critical public debate of political issues are increasingly emerging in China, observed through activities such as independent organization of business interests, or what is becoming widespread in contemporary China – political debate through Internet forums such as Sina Weibo. The development of this organizational activity can be observed as early as 1993 – when the privatization of the economy accelerated – and its accelerated occurrence in the past decade of China's reform and opening. Zhang Houyi highlights a case in Guangdong province in 1993 where private entrepreneurs began spontaneously organizing various associational activities. Their goal was to create independent association that would successfully fight for their legal rights, and in many cases, the entrepreneurs felt that this organizational activity yielded beneficial results. Though at this time, in 1999, this was not indicative of widespread associational activity, its

mere existence in various areas provided evidence of the entrepreneur's recognition of and response to China's lack of legal institutionalization (Zhang Houyi, 1999, 274).

Furthermore, Zhang Houyi and Liu Pingqing note that formal-dependent avenues of political participation are undesired modes of participation while informal-independent modes are on the rise (2004). As indicated above party membership as an avenue for political participation has received limited interest among entrepreneurs (Zhang Houyi, 2008). On the other hand, although entrepreneurs engage in 'designated' participation, or formal channels within the party or the state, their participation in democratic parties or other independent organization has increased. In terms of their involvement in democratic parties, although the central authorities stipulate that private entrepreneurs can only join the China National Democratic Construction Association, the private entrepreneurs have not only joined the other eight democratic parties, but this unsanctioned association has been a growing trend among the entrepreneurial community. Furthermore, they are also increasingly establishing their own intermediary organizations for the purpose of protecting their interests through collective coordination and organization. A national survey conducted among entrepreneurs found that more than 80% of respondents indicated it was necessary to establish these independent professional associations or other organizational ties (Zhang Houyi and Liu Pingqing, 2004).

The advent and proliferation of Internet mediums has also served as a vehicle for a contemporary version of the critical public sphere, which emerged in the west in the course of sociological evolution, and which served as a pivotal development in the course of political institutional change. This cyber sphere represents the '*salons*' of the west, or the coffee houses (see Habermas, 1989), which facilitated the exercise of reason through critical debate, initiated by a rising bourgeoisie in an increasingly politicized fashion. The Internet in China, which as of 2008 had 235 million registered users (ZSH, 2011, 304), has also helped facilitate a critical sphere, where members can engage in politicized discussion with less fear of being targeted for political infractions. As a recent article notes in the analysis of public opinion over the Internet, 'Chinese netizens display a consistent sense of intense social concern, and the Internet has become an important public opinion channel for all circles to express their interests and feelings, and to exchange thoughts' (ZSH, 2011, 303). Themes of

discussion include ‘a sense of justice, an earnest search for the truth, and sympathy for the vulnerable’ (ZSH, 311). Finally many of the users are represented by the *Baling Hou* generation. The ‘22<sup>nd</sup> statistical report on China Internet development of the China Internet Information Center’ found that the netizens were overwhelmingly represented by this generation – representing 68.6% (ZSH, 2011, 304-305).

Furthermore, these emerging Internet mediums have not only facilitated a critical cyber sphere, but moreover, they have begun to replace traditional forms of information gathering: according to the China Internet Information Center, ‘Over 80% of netizens mainly depended on the Internet to gain their news, exceeding the importance of television as well as newspapers and periodicals’ (ZSH, 2011, 305). This reveals not only the declining ability of the state in using these mediums for propagating its ideology but also in providing an objective source for China’s citizens to gather information. As one article noted: ‘With the overall size of Internet traffic doubling every 5 years or so, digital media usage now routinely nurtures the spirit of monitory democracy...helped by sophisticated proxies and other methods of avoiding censorship, salacious tales of official malfeasance circulate fast, and in huge numbers’ (Keane, 2012). It has become ‘a new frontier for outright resistance’ (Guthrie, 2006, 275):

The number of what the Chinese authorities call mass incidents has risen from over 80,000 in 2005 to some 180,000 in 2010. The party’s policy has been to isolate such protests and contain any attempts at larger scale organization. This strategy, however, is becoming increasingly difficult. The digital culture – the internet, in particular weibo, and mobile phone cameras – is tearing down boundaries in time and space. In the past two years, the number of microbloggers went from few to more than 300 million. A convergence between what’s happening off and on line seems inevitable (Ljunggren, 2012)

A recent media article portrayed precisely how Internet communication is providing an accountability mechanism for society in their quest to check the abuses of the party:

The antics of some officials’ children have become a hot topic on the Internet in China, especially among users of Twitter-like micro-blogs, which are harder for Web censors to



monitor and block because they move so fast. In September, Internet users revealed that the 15-year old son of a general was one of two young men who crashed a BMW into another car in Beijing and then beat up its occupants, warning onlookers not to call police. An uproar ensued, and the general's son has now been sent to a police correctional facility for a year, state media report (Page, 2011)

In similar fashion, the recent uproar in Wukan, discussed in the previous chapter regarding the commandeering of private property by corrupt dealings between a property developer and a livestock company, revealed that although the party was largely successful in censoring most media reporting and internet postings, it was largely unsuccessful in controlling the use of internet mediums to disseminate information, including microblogs and Twitter (Page, 2011, 14).

Furthermore, in what began as the party's praise for the revolutionary party chief Bo Xilai and his apparent crackdown on organized crime, has now not only turned against him with emerging details that incriminate him in acts of extortion, bribery and arbitrary interrogation that have led to his detention, but as a result, China has witnessed one of the largest instances of societal discussion and organization via the Internet, including within the entrepreneurial community. Furthermore, the discussion has centered on the criticism of the party to the point where the party has intervened and implemented a freeze on the use of microblogs: 'the government clampdown has prompted some prominent internet users to speak out, with some of the strongest criticism coming from influential businessmen' (Chao, 2012); as one businessman then states, ' "In order to prevent the spreading of rumors, they shut down the comment function but left the repost function open. Is that the right medicine for the illness?" ' he wrote. His post had been reposted more than 8,000 times by Sunday' (Chao, 2012).

A recent interview in the Wall Street Journal with Zhang Xin, a Chinese entrepreneur, further supported the notion of the cyber world as a growing force in conjunction with the combination of generational change in China. At one point in the interview she stated the following:

I think that China will face major challenges in the near term. With every generation of leaders, the power base has become weaker and weaker. When you go on the Chinese blogs, you will see how little credibility the Chinese government has among the Chinese people. I think this will be the major challenge. How do you address a country where the governing power is losing the trust of the people? (2011, R11)

Furthermore, we find not only the continued autonomy, political consciousness, and desire for organized power among the entrepreneurial class as reforms continue, but evidence points to the liberal growth of the *Baling Hou* generation facilitated by the rise of Internet mediums as a vehicle for political expression (Witness 18). The recent labyrinth of events and details surrounding the Bo Xilai case, again facilitated by Internet mediums, is a case in point, especially considering the scandal's effects on the entrepreneurial class in Chongqing (Chao, 2012). Evidence has thus revealed the significance of the cyber world for the entrepreneurial class, in particular, in creating a transparent environment in the exposure of party misconduct, organized discussion on the Internet that is increasingly politicized and representative of a growing empowerment, and sociological pressure on and opposition to the one-party system.

Personal interviews with entrepreneurs substantiated the utility of the Internet in facilitating discussion and organizational agency within this emerging private sphere. An interview I conducted with an entrepreneur in May of 2012 is an example of the link between weibo's transparent-inducing effects and the growth of dissatisfaction with the one-party system. This particular entrepreneur had recently established his business which was designed to fill a growing demand in China: that of access to safe and quality food. Although the business allows for convenient shopping – via physical devices in home or online apps, as well as delivery - its inspiration resulted from the growing issues of food safety in China, and the entrepreneur's overall passion for responding to what he terms the party-related 'bugs' (in his articulation the unchecked abuses of the party and their effects on society in general and the entrepreneurial class in particular) in contemporary China (Witness 18).

This particular interviewee regularly returned to this term the 'bugs' in contemporary China. What was significant about this reference was not only his understanding of China's predatory environment, but furthermore, his statement that weibo has

provided the means for individuals such as himself to remain comprised of current events, most explicitly access to real time information on party-related abuses. His examples included the Sichuan earthquake, explaining how weibo exposed the party's misappropriation of funds, which were donated specifically to the government-established earthquake fund for the families of victims, but where '70 percent of the funds went to Beijing's central authorities, and only 30 percent went to Sichuan Province of which a large percentage went to constructing extravagant villas for party-officials'; and the uncovering of why one school was destroyed while the neighboring school stood unaffected: it was funded by a private donor who personally saw to the oversight of the construction, while the one destroyed fell victim to what is all too common in contemporary China – compromised construction while lining the pockets of officials (Witness 18). As he went on to note:

In China we have government departments to check food safety, but they are doing nothing. Every time they will wait for the complaints; if they don't complain they will still sell and the trouble will continue. Even if customers complain they still won't do anything. The reason why this came to the fore in the Carrefour issue [the early 2012 case where Carrefour sold contaminated fish] because it affected a famous star who posted this on weibo...In China we cannot rely on government related institutions for food safety checks. The government institutions capitalize on profiteering (奸商) and thus allow poor safety standards to continue (Witness 18)

Additional interviews indicate a similar finding – that of the link between weibo and government exposure and de-legitimization of the one-party system. In response to the question, 'Do you think that China will retain a single party system for a long time?', one particular entrepreneur replied, 'That is their dream, but after the invention of Twitter I don't know for how long' (Witness 14). Furthermore, following the completion of the formal interview process, she asked if she could continue further discussing the issue of contention between growing entrepreneurial forces and the lack of political institutional change. Within this discussion, I explained to her the case I observed while living in Beijing during the Olympics – that of the universal absence of knives from store shelves in Beijing. Immediately following the completion of the Olympics, knives immediately reappeared. In response to this, and in continuation of the discussion on Chinese cyber organization, she stated:

The government has so much fear. And also the other thing is...there was an article on Chinese Twitter about how to control the people in Germany. One of the guys responsible for this broadcast on twitter listed 8 points – how to fool the people. This is exactly what the Chinese government is using right now. But with the Internet and Twitter, they cannot fool the people anymore. A couple of days ago I recalled in my mind that Chairman Mao was a tall guy because we always believe if you are powerful then you are tall and handsome, and therefore, we always believed that he was 1.83 meters tall. But do you know what happened – he was only 1.72 meters tall. The broadcast system tried to fool the people (Witness 14)

Furthermore, this particular interviewee indicated her perception of the importance of cyber communication such as Twitter and its implications for the future of China's political institutions, particularly considering the increasing entrepreneurial disaffection that she observes within China. When the researcher asked her 'How long will China's predatory environment continue?', she stated:

Until we change the one party system. Otherwise we will never have hope. But since the intervention of internet, and in China twitter was allowed to run, we get a lot more information. It is impossible for the government to try and prevent us from acquiring information. And because of this I believe big changes will come here soon for the government. Either themselves or they will be changed by the people in China. They have created a lot of anger in this country. People hate the rich guys, and hate those who have power...rich guys here are rich because they screw people, because they have relationships, because they are doing some illegal dirty business, but are protected by the government officers. It is dangerous now (Witness 14)

As a result of the governmental exposure as well as entrepreneurial disaffection with the one-party system, the entrepreneurial class is increasing its politicized discussion on the Internet – not to mention extending this to face-to-face organized discussion. Many of the entrepreneurs the researcher interviewed indicated the link between weibo, political discussions, and entrepreneurial empowerment. As one indicated: 'Normally we talk about these things on the Internet; we want to fix the bugs stemming from the government...People are becoming more empowered on weibo. In

fact the younger generation, with voices that are rights-conscious and expressive, are increasing' (Witness 18).

Finally, although political demonstrations are still an exception, political discussions among safe environments - such as within entrepreneurial businesses or among colleagues in small gatherings - is not an exception but instead increasingly the norm, as indicated in interviews with several entrepreneurs. An interviewee living in Shanghai, who originated from Chengdu, specifically made the comment that Chinese entrepreneurs - though still in a nascent stage - are beginning to discuss political issues more freely and prevalently. Much of the political discussion is still on a micro level, though as she notes, including in her case, there is evidence of group-based political discussions: she made it clear that she discusses political issues on a regular basis with her friends, and sometimes in large groups. She also noted that the rise of Internet mediums has markedly facilitated this development (Witness 15):

Yes – some friends and I discuss these issues on a regular basis. Weibo – Chinese twitter – is where many entrepreneurs express their personal opinions, through this platform, on social and political issues. Many times we talk about the bigger picture in China – the social and political issues. The younger generation are definitely much more open to discussing these things. The older generation has – PSD – posttraumatic stress disorder – they are afraid to talk about it. But the younger generation are not. They are looking for freedom, and to take action on this freedom. But I don't think it hasn't really formed a community, it is still more individual-based. The mainstream maybe is still more concentrated on personal issues – not the big picture (Witness 15)

Furthermore, at one point in the interview she stated: 'One time I was at an event and asked a question – no one could answer. Someone told me after that they appreciated my question, except for the fact that no one could answer it. I told her that when I ask a question, the point isn't always to get an immediate answer, but instead, to generate discussion and further thought' (Witness 15).

In November of 2011 the researcher attended an all-day annual entrepreneurial forum in Shanghai which resembled a collaborative entrepreneurial environment (mostly those of the *Baling Hou* generation). The event was held near Fudan University and it

was centered on entrepreneurial pitches in the form of approximately 30-minute presentations and discussions. In fact, one of the entrepreneurs interviewed in Shanghai, Witness 7, was a leading figure at this entrepreneurial forum, and gave a speech in the afternoon presenting his business platform, including the concepts behind his innovative business as well as imminent plans to expand. Most noteworthy, are the following points he made regarding the fundamental concept of his business – a concept which purpose is to encourage entrepreneurial collaboration and unity:

The purpose of my business: not just coffee and a seat; and equally not just people and a seat. But furthermore, the purpose is to 1) get people connected; 2) get them talking; 3) and “break the cubicle” mentality (Witness 7)

The researcher recently followed up with this entrepreneur and he informed me that he was in the final stages of construction of the second location (his business is a start-up incubator, housing entrepreneurs with ideas but those still without resources to develop these ideas). The first was 100 square meters, and the second location – commenced in April 2012 - is 400 square meters. Finally, in a recent follow discussion with this entrepreneur, he mentioned that political discussion within the startups at his business is common (Witness 7).

Thus, although the organizational environment within the entrepreneurial community has been limited overall, evidence suggests that the growth of the *Baling Hou* generation in conjunction with Internet activity has resulted in the class’ exercise of organizational agency. Evidence suggests an entrepreneurial class that is increasingly embracing liberal values, while also beginning to organize around these values in order to guarantee fundamental rights and freedoms which began with private property as a product of economic freedom. As one entrepreneur noted in an interview:

It is all connected. It starts with the economy, and then the little business owners will become really big, and then there will be more and more businessmen who will be chosen as government representatives from this group, and then they will already have the power to speech and advise, and that is how they will improve the conditions for their business,

and is how they will influence the government later. The businessmen will be the representative of the people when they get to this position, and into the government. They have money, then they have social alliance, so they have power. I hope I have the same future. I want to change China at this level. I want to see Chinese people living not just surviving (Witness 9)

The consequence of this development for the party has been its de-legitimization, something it has attempted with great tenacity to prevent since its decision to reform and open up in 1978, and the increasing potential - through the entrepreneurial class - for the replacement of China's one-party organization with democratic institutions. As one entrepreneur indicated at the close of an interview in the spring of 2012: 'I would say that entrepreneurs will be the main contributor to political change because I can't think of any other class of people who will be motivated to do that, or have that kind of mentality or even power to do that. They (other classes) just want to follow what other people do, right?; entrepreneurs are supposed to be troublemakers – I know, I am a troublemaker' (Witness 17).

## **Conclusion**

This chapter has presented evidence establishing the independent political alignment of the entrepreneurial class, as well as its increasing embracement of liberal political values and signs of its ability to organize around these interests and principles. Contrary to longstanding opinion regarding the entrepreneurial class' dependence on the state, the entrepreneurial class in general, and the *Baling Hou* generation in particular, clearly are opposed to dependence on the state, and avoid affiliation if at all possible: they are overwhelmingly disinterested in CCP membership (as this represents expenditures in time and money that detract from business growth), whereas those entrepreneurs reflecting the statistics in favor of entrepreneurial dependence were in fact first and foremost state agents. The entrepreneurial class furthermore vocalizes its frustration with this system of informalism, where in many cases without government dependence their business operations and growth are significantly thwarted. Thus, the entrepreneurial class is intentional about its desired independence from the state, and furthermore, it represents a level of political

awareness in its desire to stay informed of policy developments, in particular those that directly affects their working environment.

Furthermore, all eyes are increasingly on China's *Baling Hou* generation as a result of their exceptional qualities setting them apart from all other social agents in China. China's post-eighties generation is demonstrating an uncanny ability to fully mature into a rights-based class, through political awareness, political values and organizational capacity and initiative. They stand for autonomy; individualism; technology and innovation; active organization and association; and a growing rights-based platform desirous of transparency, rule of law, and as interviews indicate, liberal political values.

The liberal political values they favor are a fundamental inclusion in the political process. Most fundamentally, a change from the one-party system – which is the root of the endemic problems China's entrepreneurial class faces on a regular basis – and towards a multi-party system that most fundamentally represents a shift in policy input from solely within the political elite to policy input from society, realized through the right to vote and representation within an independent legislature. Furthermore, there are important implications for the growing cyber activity within this post-eighties generation, most immediately, evidence of their growing use of this cyber world for the purpose of organization and association revolving around their interest-based and rights-based platform. Thus, though for most of the reform period, a liberal entrepreneurial class has been written off within and outside of China, the discourse has now shifted towards not the discarding of this social element, but instead towards a growing discussion on the emerging liberal nature of this class – particularly the *Baling Hou* generation – and their implications for the future of China's political institutions.



## **9. Conclusion: The Inevitability of a Chinese Bourgeoisie**

### **9.1 Revisiting the Research Area and Hypothesis**

When China entered the 19<sup>th</sup> century, nations such as England, France and America had begun their ascendance into the modern industrialized, and democratic, order. In England the impetus first began with the growth of markets, most explicitly in the wool trade. As a result not only did England transform in economy, sociology and polity, but it extended its economic empire outside England in order to tap into world markets – including in the South and East Asian regions. In America, cotton markets equally provided the catalyst for national transformation: rising demands created capitalist economies in America, which provided impetus behind industrialization in the Northeast and the growth of the frontier region. These economic paradigms in turn led to transformations of political institutions. China, on the other hand, despite its unparalleled advancements during dynastic times, regressed in its economy productivity with the rise of the Qing Dynasty.

The rise of the Qing Dynasty commenced a new historical period for China - one encapsulated by economic decline and political turmoil. If the Qing polity had not already closed China off to the outside world by the mid 19<sup>th</sup> century, the foreign intrusion into China had made this a fact. Thus, China's revolution in 1911 was inconsistent with the revolutions and reforms in the west in the 17<sup>th</sup> and 18<sup>th</sup> centuries. China's revolution had revolved around issues of failed modernization, but its sociological foundation rested in the conservative elite amidst an underdeveloped economy. As a consequence, China's post revolutionary environment was one that extended the power of conservative elites at the expense of economic development and political stability – localized dictatorship and warlordism prevailed until the consolidation of the CCP's authority in 1949.

The advent of the PRC in 1949 provided temporary stability as well as support behind economic development. But ultimately, the economy and sociological outcome that had risen in China's coastal areas conflicted with building a socialist nation. As a result from the early 1950s forward, mass campaigns and mass mobilization

engineered for class struggle, socialist education and bourgeois liquidation veered China down a slippery slope. The Five-Anti Campaign, the Anti-Rightist Campaign, the GLF and the GPCR were the main proponents of the rectification campaign in the Maoist era, and they facilitated the decimation of China's economy, the political organization, and ultimately, the party's legitimacy. Thus, China was not only once again left economically empty handed, but equally, with a decision on the future of China's political organization.

Deng Xiaoping and the reforming faction which prevailed in the post-Mao period provided an answer to China's repeated and failed attempts at modernization. Economic development was the primary objective, and with secondary reform objectives related to installing mechanisms that would prevent future leaders from wielding the power and causing the destruction that had endured under Mao. Most important, though, was not 1978, but 1992, when Deng Xiaoping prevailed over the hardliners and accelerated the course of development, not only welcoming greater privatization, private entrepreneur and private enterprise, but setting in motion a course of economic development which was increasingly irreversible. In turn, the party has increasingly scrambled to respond to the independent forces it has unleashed in the economy, which have created growing social and political consequences for its continued legitimacy and absolute political power: a bourgeois society is emerging with growing potential for political maturation and power with constitutional rule of law and democratic process as their object.

Thus, the hypothesis has been purposed with three objectives: one, identifying those variables which produced a liberal sociological structure and as a consequence established the constitutional rule of law and democratic principles in the western transitions; two, identifying the cause behind the lack of strength or sheer existence of those variables in the eastern transitions which supported liberal development in the west; and three, to test these variables in the case of contemporary China and through this to identify the presence of a contemporary Chinese bourgeoisie:

**Hypothesis: In remaining consistent with the historical trajectory of liberal development, the widespread expression of economic freedom in China will foster the rise of a new sociological structure. This will particularly be driven by the emergence of an entrepreneurial class which has the potential to become a bourgeoisie: a capital-owning class with property-law interests, and a growing desire to implement measures – in particular the constitutional rule of law and democratic process – that effectively protect the entrepreneur’s property rights by transferring the balance of political power from state to society.**

As identified in the scholarly literature, the advent of markets and corresponding industries, and the subsequent transformation of the sociological structure into a complex and ultimately liberal organization, had produced a political consequence in the transition to liberal political institutions. The towns that emerged, and the wealth that was acquired, which also correlated with the rise in revolutionary ideas, reflected a new sphere of economic and social power - outside of the state. In turn, the previous social institutions that had organized society, and the political institutions and political elite that had supported this organization and the relations within society, began to erode. As transition pressed on, the elite became more privileged-driven and more predatory, and the sphere swelling beneath its reach was all the while developing a new philosophy and organizing an independent base of power. The political consequence was significant: transition to democratic institutions and principles that would ensure constitutional governance - for legal protection and individual rights and freedoms. In applying the theoretical framework to the case of China, analysis of empirical evidence supports the rise of a liberal sociological structure, not only in the economic and legal sense of the term bourgeoisie, but equally, one with a growing foundation in the political sense of the term – a class for itself, with its object being constitutional rule of law and democratic process. The six research questions that followed from the hypothesis, and their elucidation, are discussed below.

## **9.2 The Political Success of the Western Bourgeoisie**

**Q1: What were the independent variables that surrounded the western historical evolution of the liberal entrepreneurial class in the transition from a feudal-agrarian and a political absolutism to a modern-capitalist and democratic nation?; and how did they interact and evolve to produce a liberal ruling class: a bourgeoisie?**

In answering the first research question guiding this project, a specific link between economic freedom, state predation and an independent entrepreneurial class, and, the evolution of a bourgeoisie identified by a rational and secular mentality, property-law interests and liberal political principles, was established. The first independent variable that the successful evolution of a bourgeoisie depended on was the advent of economic freedom and the rise of markets and industry, which in turn, created an evolving process of rationalization and secularization within the bourgeoisie. The particular way in which economic freedom and markets and industries created a uniquely rational and secular class, related to the intervening variables, was evident in the growth of opportunities in emerging markets, and, engagement with a sphere that was without historical precedent in its independent, individualized, and horizontal based exchange relationships. An entrepreneurial class emerged which was increasingly rational: they sought to capitalize on opportunities, to acquire greater wealth, and ultimately to garner greater independence. The class also became secular through its rationality and autonomy within this economic sphere: ideological subordination to the political authority began to erode, making way for an alternative philosophy initiated by individual and independent-minded social elements.

The second independent variable centered on the feudal organization and the privileged aristocracy, and the resultant state predation which pervaded. In the wake of the growth of private property and an increasingly ideologically independent entrepreneur, amidst the continuation of a privileged political elite, the recognition and degree of state predation became more pronounced. Not only did the previous governing precepts of nobility and privilege at birth begin to erode, but equally important was the erosion of their economic base of power which shifted in favor of

the rising entrepreneurial class. As a result, and in order to compensate for this loss, state predation ensued, targeting the wealth that began to amass outside the reach and enjoyment of the nobility. In turn, the entrepreneurial class began to organize an interest-based platform that sought to find legal protection of its private property through the implementation of the constitutional rule of law.

The final variable that emerged in the evolution of a bourgeoisie was the political alignment of the entrepreneur, forged in the quest for legal protection of private property: did the rising bourgeois elements seek the refuge of the coercive apparatus of the state in order to protect its property and ensure its continued growth?; and did the privileged nobility seek continued dependence on the state, or, did they forge independence and fuse with the emerging independent bourgeois elements? In the western cases of development, the rising bourgeois elements evolved politically independent from the state, developing liberal political values such as the rule of law and constitutional governance to protect private property; separation of powers; freedom of speech and the right to organize; and the right to vote and political representation. Furthermore, their independence also led to the growth of a decisive sociological transformation - beyond a class in itself, and towards a class for itself, that is, with itself as its object (see Hegel, 1952; Marx, 1936). They engaged in a critical public sphere where general interests were articulated, and where power was developed that would eventually overtake and shape state power. The manifestation of these principles and this power would be in the rise of democratic institutions.

The English and French development experiences are most helpful in illuminating the manifestation of this particular liberal evolution – that of the growth of bourgeois elements and bourgeois society. In England, markets were permeating and robust and thus were decisive in laying the economic foundations for the eventual rise of a bourgeoisie. The advent of the wool trade, in particular, not only eliminated what Moore notes as the social origins of communism, the peasantry, but moreover it equally created a new sociology driven by the opportunities presented in these markets – they became both rational and secular. To be sure, a unique part of England's sociological and political development rested in not only the thriving economic conditions but also the relative weakness of the king. This, as Moore notes, positioned not only the rising bourgeois elements in opposition to the prevailing

political institutions, but also the agents of feudalism - the nobility. Predatory tendencies of royal absolutism acted to foster the rise of an interest-based and rights based sociology. Parliaments were overrun by these rising bourgeois elements, which used their fusing power and organization within parliaments to campaign for new institutions based upon rights, freedoms and constitutional governance.

The sociological outcome in France initially evolved towards the state and in dependence on its resources and power, contrary to the bourgeois elements in England that fused and formed in opposition to the crown. The relative weakness of markets at the time seems to in part explain this diversion, though, the relative strength of the state not only also comes to the fore, but certainly influenced France's economic conditions. Similar to the eastern cases of attempted transition, the state's control over sociological elements proved effective in maintaining a dependent nobility and also in forcing the rising bourgeois elements into dependence. The point at which France diverges from the eastern cases and towards the ultimate political consequence in England – that of democracy – is in the growth of an independent bourgeoisie alongside the continued entrenchment of conservative forces tied to the state. Bourgeois elements, though delayed in their evolution, nonetheless emerged in the economic and legal sense of a bourgeoisie – with rationality and interests – and eventually became a political bourgeoisie as the Revolution of 1789 paved the way for new political institutions supporting individual rights and freedoms.

### **9.3 The Political Failure of the Eastern Bourgeoisie**

**Q2: How did the specific variables of economic freedom, state predation and political alignment evolve in the eastern transitions so as to produce an altogether illiberal outcome?**

The second research question established the underlying causes behind the deviating variables in the path of eastern transition. The eastern developmental paradigms failed in facilitating either the rise of a bourgeoisie altogether, or at best, one that was incapable of quantifying the sociological strength behind the legal and political

principles that were associated with a bourgeoisie. In returning to the relevant variables, these cases first and foremost emphasized the continuation of feudal relations of production. Peasants were utilized instead of eliminated, and the ruling classes further squeezed the subordinating classes in order to compensate for the lack of productive economic growth. Furthermore, connected to the lack of transition in the economic system was the fact that the eastern variants employed a comprehensive bureaucracy that wielded significant power over the forces of economy and sociology; and incentivized mechanisms were in place, such as the examination system in China, in order lure sociological elements away from independent economic development and instead to perpetuate preindustrial modes of production. Indeed, the ruling classes relied heavily on the state, capitalizing on its relative power, in order to ensure protection of their property, among other uses. This in turn established the foundations for the failed formation of a bourgeoisie and ultimately in its consequence of alternative political development.

In the past century, if not longer, China has been bedeviled by a history of failed modernization, the foundations of which began during the Qing's reign. To be sure, this included apolitical factors, such as ecology. As Fairbank points out, China's ecological state kept it contained in its domestic emphasis, thus preventing transnational social movement and also then stimulating, instead of containing, population development (1986, 36). Nonetheless, in examining the course of China's development, one inevitably and on frequent occasion returns to the state, and the power it wielded in influencing the course of development, mainly, in perpetuating an eastern form of feudalism and engineering a corporatist framework. As Moore notes:

Royal peace and wool had to combine in a specific way to set up one of the significant forces propelling England toward both capitalism and a revolution that would make capitalism eventually democratic. In other states, notably Russia and China, strong rulers made their writ to run over far-flung territories. Indeed in England the fact that the rulers' success was very limited contributed heavily to the eventual triumph of parliamentary democracy (1966, 7)

This begins the first diversion in the case of China: its economic policy, which also became intimately connected to the sociological developments, and ultimately, the

characteristics of the existing political institutions. To be sure, China's ecology did fuel population growth which in turn provided greater incentive for the use of manpower in the peasantry than it did for using alternative forms of more productive development – such as industrialization. But this in and of itself was no significant cause of China's failed development. Instead, these causes rested first and foremost in the opportunities that existed - or lack thereof - in China, and no different than the issue of where opportunities existed in the western transitions. Although China's dynastic history did include significant innovations, specifically during the Ming Dynasty, its economic productivity and growth remained stagnant, including well into the Qing Dynasty. If there was any hope for China's economic ascendancy in the dynastic era, by the advent of the Qing Dynasty this hope had been eliminated with the move to isolate China from international trade and place insufficient emphasis on its economic development. The influx of foreign colonialist elements, at least initially, further entrenched China's isolationism: China's political authority opposed the ideas, not to mention the actual economic integration, of the foreigners. This is not to say that merchant-entrepreneurs failed to exist in dynastic China; they certainly existed, and in fact embodied similar characteristics to the entrepreneurs that emerged in the western transition – in their economic rationality. But opportunities in emerging markets and an overall sphere of economic freedom with which they could engage remained limited. Instead, opportunity for economic wealth and social status rested almost exclusively with the political institutions.

What then was the fate of the peasantry, landed elite and nobility, and bourgeois elements? The sociological outcome was the continuation of a conservative and non-bourgeois sociology, which in turn, leaned on the state for wealth acquisition, property protection, and resources. The growing population of peasantry were not eliminated as they had been in England within the enclosure movement; on the contrary, they were employed to the fullest degree on the land, which provided part of the support structure for the continuation of a conservative elite. Peasants' surplus production was extracted by the landed elite and sold for a profit, though this tended to be negligible. The more profitable venture that involved the peasantry were land rents; and with population growing the landlord could enjoy a system of bidding for the land and increasing his profits. But this wasn't the only support mechanism for this sociological element. The state indeed played an overarching role. Most



importantly the state ensured the landed elite legal protection, including the protection of their property, and enforced other measures such as taxation. Furthermore, in order to ensure their healthy compensation, especially in the absence of economic development, corruption was exercised by China's officialdom.

China's rising merchant-entrepreneurs were also subjected to the power of the state, as once again, the state stunted opportunities, such as the growth of markets in the economic sphere, and instead created a system of opportunities exclusively through its organs. Only Confucian-trained individuals could hope for a spot within the bureaucracy, and only a position as literati could ensure the wealth, protection, and power the people sought. Thus, if a son wanted to pursue entrepreneurship, not only would society shun his activity, not to mention his own family, but the possibilities for success were seriously limited considering the economic conditions. Thus, entrepreneurship, if pursued, was conducted through the state. In turn, entrepreneurs also took the examination, which measured their knowledge of the Confucian classics, and if passed, they would be ensured wealth and protection through land and legal assurances granted by the state.

China finally commenced economic development and industrialization in the second half of the 19<sup>th</sup> century, and thereby, slowly broke down the economic barriers first imposed by the Qing Dynasty. The cotton industry became the first and most pronounced development, providing the foundation for further development and the rise of Chinese factories. Furthermore, new groups of entrepreneurs emerged within the context of China's colonial conditions, first serving the foreign economic interests before eventually emerging as independent Chinese entrepreneurs. But China was faced with fundamental developmental problems. Most notably, they rested in the failure of economic conditions in establishing an independent sociology – an independent gentry and new bourgeoisie. Instead, unique to China was the fact that, unlike western feudalism, 'the Imperial system was not only a way of making property pay, it was a way of getting property too' (Moore, 1966, 181). The sociological void that these conditions created also led to China's perpetual reform issue, as observed in the final decades of the Qing Dynasty: if the dynasty were to resolve its growing financial issues, it would have to support industry and commerce and implement a modern system of taxation – but this would eliminate its sociological

base, the gentry. By the time the Qing attempted to induce reforms, it was already too late; a conservative elite then remained into the 20<sup>th</sup> century.

The Revolution of 1911 seemed to mark China's entry into the modern world, after all, it had begun to develop as western influences slowly forced China out of isolationism; but a modern, let alone liberal nation, failed to emerge in China following the revolution. The cause of this alternative and delayed course of development rests in the connection between China's underdeveloped economy and a conservative sociological outcome, and, the power of China's political institutions in perpetuating this organization. China failed to produce an independent bourgeoisie, including, an aristocratic component turned bourgeoisie in opposition to the state. In fact, not only did China fail to produce a social foundation conducive for the transition to democracy, but the bourgeois elements were so weak that not even a fascist regime, characterized by an alliance between a weak bourgeoisie and a strong conservative ruling class, was possible (Moore, 1966, 184). As a consequence China's revolution dismantled the old institutional framework, but it failed to produce a new and liberal institutional framework in its place. As Moore notes, 'the upper strata managed to save themselves as the old building broke into pieces over their heads' (Moore, 1966, 182).

As a result, China in fact entered the second decade of the 20<sup>th</sup> century lacking any comprehensive overhaul of its traditional social organization. It entered this period without the sociological transformation that reflected a liberal class structure, with an economy that remained underdeveloped, and most importantly, with the collapse of the political organization. The consequence was the continuation of a political system based on privilege and elitism but without any order – first localized dictatorship then warlordism. Certainly, a degree of hope initially emerged post revolution: The political institutions which prevented the liberalization of China's economy had disintegrated, allowing for the development of an economic structure that produces a bourgeois society. Major industries emerged, such as cotton and tobacco, which facilitated the rise of a bourgeois society, first in the economic sense of the term, and then in the legal, cultural and political sense and the full maturation of a Chinese bourgeoisie – albeit localized in Shanghai. But as a result of China's political environment, the Chinese bourgeoisie began and ended in Shanghai. From 1911 to

1916 China attempted to establish a national political base, beginning with Sun Yatsen's republic, which failed with the rise of Yuan Shikai and his turn towards dictatorship. With his death in 1916, the warlords that had assumed command of their respective localities after the fall of Imperial China further strengthened their respective bases of power. Thus, although within this period a bourgeois society began to emerge as a result of the growth of an economic independence, markets, and Chinese industrialization, this growth and its sociological outcome remained confined to the coastal areas – most notably Shanghai. And when a national political authority emerged, first the KMT and then the CCP, the outcome in terms of their relations with the bourgeoisie was either the exercise of state predation or their complete liquidation.

The characteristics of Russian development revealed similar deviations from the variables that contributed to a liberal sociological outcome and democratic transition in the West. Similar to China, economic freedom and the opportunities associated with it – markets and subsequent native industrialization – were limited; and when presented, were heavily influenced and controlled by the autocracy. Opportunities for wealth and status were, like China, not only existent in the political institutions, but furthermore, western influences acted to divert both economic development and the sociological outcome – social elements borne from economic development in turn embodied a xenophobic hue. The sociological outcome, in turn, remained conservative. A large peasant component continued, which formed ties with gentry and the autocracy – not only exasperating the entrepreneurial community but also forcing them to lean on the political institutions. Furthermore, conditions within the factories, in particular the relations between the workers and industrialists, instilled fear in the industrialists and equally diverted them in dependence on the state for protection. As a result, the rise of a political bourgeoisie remained limited. Thus, as a result of Russia failed socioeconomic development, its experiments with convening legislative bodies in an attempt to forge a path towards constitutional rule of law remained unsuccessful. The bourgeois parties that emerged and contended for power and political platform within the dumas remained divided between conservative and liberal policies, and where the conservative factions remained victorious. Thus, the revolutions of 1905 and 1917 would fail to be bourgeois revolutions.

## 9.4 The Political Rise of the Contemporary Chinese Bourgeoisie

**Q3: Why did the PRC first crush the business class and then purposefully reinvent it and with what kinds of social and political consequences?**

The third research question examined not only the factors behind the party's liquidation of the bourgeoisie, but equally, the causes and political implications behind the party's reinvention of the entrepreneurial class. The establishment of the PRC in 1949 with the CCP as the vanguard political authority reflected a new China, most distinctly, in the fact that China could now expect a strong national political authority to govern its affairs. The problem for China's bourgeois society that had developed in the coastal region was that the CCP was a party whose social base was the peasantry and whose ideological foundation supported both the peasantry and the proletariat - but opposed the bourgeoisie. To be sure, the party tolerated the bourgeoisie in the initial years of its power, since it relied upon this class to facilitate initial development and to help strengthen the party's authority. Nonetheless, the bourgeoisie was a class that could not expect long-term toleration let alone support from the CCP; Mao had made this clear in 1926 in a document concerning both the international bourgeoisie and the capitalists (Mao, 1954). The rectification campaign that began in the early 1950s began the liquidation of the bourgeoisie, with the Five-Anti, the Anti-Rightist and GPCR causing the most destruction to the bourgeoisie. The GLF, which erred greatly in economic policy, and caused a rift within the party leadership, created the seeds for the GPCR. The GPCR, and its extensive purification of all bourgeois elements, crushed once and for all the bourgeois class in China. Paradoxically, its scale of destruction would in fact create the foundation for China's shift in economic and political policy that during the Maoist era would be considered full-fledged bourgeois ideas.

China's reform and opening up, which first commenced in 1978 but with most emphasis in 1993, was without historical precedent in China. The political authority had sanctioned the opening up of China's economy, allowing for not only economic freedom, but most notably, the sociological outcome and political consequences of this shift in economic policy. To be sure, to no surprise in the initial years of China's

opening up period the party struggled with this revolutionary policy that contradicted the very ideological foundation which had supported its legitimacy and guided its policy. Thus, the first 15 years were imperative in either establishing this period as a failed pilot run at capitalist modernization and reverting back to the Maoist model; or, in establishing a liberal economic foundation, that being so entrenched, would be immune to a reversion in economic policy. In 1993 the latter had proved victorious, and with growing social and political consequences for the party.

Deng Xiaoping emerged from the Maoist period in general but the GPCR in particular scarred from the intra-party battles and the overall destruction caused to China's economy and society. He thus also emerged as a pragmatist, not willing to cede the party's position as the vanguard authority, but willing to reduce the state's control over economic activity and promote the growth of markets, industry and privatization; and to end the ideological emphasis on mass campaign and mass mobilization. As Deng stated at the Third Plenary Session of the 11<sup>th</sup> Central Committee in 1978, the country's economic and political policy would reflect independent economic activity and political stability, including emphasis on the rule of law. First, the 'large-scale turbulent class struggles of mass character have in the main come to an end' (Peking Review, 1978, 11), and China would open its doors to the world, in order to develop productive relations. This would not only allow for China's economy to flourish but also to prevent it from being sidetracked through mass campaigns. Second, China would emphasize greater efficiency within the economic organization, specifically allowing for decision-making within enterprises, opposed to overarching central authority, which would foreshadow accelerated privatization in 1993 (ibid, 12). Third, Deng would seek an end to intra-party destructive struggles: 'it is essential to reiterate the "principle of three nots": not seizing on others' faults, not putting labels on people and not using the big stick' (1978, 14).

This initial 15 year phase in China's reform era was a constant struggle between intra-party factions, between the hardliners and reformers, and which illuminated the problem at hand: the social and political consequences of this new economic policy. The hardliners had grave concerns. The reformers, either understood its imperative if China were to progress, let alone allow the CCP a chance to redeem itself following the GPCR - envisioned by Deng Xiaoping; or they in fact grew increasingly

sympathetic to society's call for greater democratic measures - seen in the actions of Hu Yaobang and Zhao Ziyang. Subsequently, in this period a battle ensued, not only between the hardliners and the reformers, but at times even within the reformist faction, seen in the purging of Zhao Ziyang who met and sympathized with students in Tiananmen Square. The events during this period illuminate this intra-party crisis as well as the growing social and political consequences of economic reform: the Democracy Wall Movement; the Spiritual Pollution Campaign; and the Tiananmen crisis in 1989 all represented battles between social calls for political reform and the party's attempt to moderate, and even at times suppress, these calls in order to maintain its monopoly on political power.

Thus, China's future was once again in the hands of a select few leaders, and the reform experiment could be just that - an experiment - before reviving Maoist methods of economic development and production; or, it could establish a permanent foundation for continued privatization, and sociological independence and empowerment, within the economic organization. Deng Xiaoping's southern tour in 1992, which was followed by Deng's decision to accelerate economic development, prevailed over the hardliners and the power they had gained in the aftermath of the Tiananmen crisis, setting in motion a concentrated effort towards privatization. This represented a crucial stand in China's opening up: despite the growing social and political consequences of reform, most explicitly seen at Tiananmen Square in 1989, Deng continued to forge ahead with economic reforms and with greater resolve. As a result, the party had implicitly welcomed the proliferation of new bases of social power: the potential for the evolution of an entrepreneurial class not just in and of itself, but as a class for itself.

**Q4: To what extent have markets created economic opportunity, and in turn, forged privatization in the form of private entrepreneur and private enterprise?; and as a result of this, to what extent are China's entrepreneurs becoming rational and secular?**

The fourth question provided evidence supporting the rise of a bourgeois society in the economic sense of the term, that is, an emergent entrepreneurial class emphasizing private property, rationality and independent decision-making. Although reforms

began in 1978, they were first experimented in the rural areas, and subsequently the urbanization and associating town-dwellers that accompany this component of modernization remained limited. But by the early 1990s, following Deng's call for accelerated development - and the urban areas became the focus. In this period Deng challenged society to 'dare to make breakthroughs' and 'dare to experiment', reflecting core concepts behind entrepreneurship. As a result, we can equally observe the accelerated growth of private enterprise and private entrepreneur, rising to fill the demands in markets that began to proliferate and the opportunities they represented. From 1989 to 1992 private enterprises increased from 90,600 to only 138,000; and private entrepreneurs increased from 210,000 to only 514,000. But from 1992 to 1995, private enterprises increased from 238,000 to 655,000 and private entrepreneurs grew from 514,000 to 1,340,000, a trend that has continued. Thus, the first stage in the liberal development of the entrepreneurial class – the rationalization and secularization of the entrepreneur – commenced in the early 1990s as a result of China's widening sphere of economic freedom, the consequence of which has been the creation of the economic foundation imperative for the evolution of a fully matured bourgeois society.

Personal interviews with this emerging entrepreneurial class revealed the evolution of a rational and secular class – a bourgeois class in the economic sense of the term. Many of the entrepreneurs reflected a veritable desire to access and exploit the opportunities that the Chinese economy now affords; to fill demands forming in emerging markets; and in the process to effectively transform China, molding it into a nation based upon the principles of economic freedom. They resemble the Republican Era entrepreneurs - the Nanyang Brothers, Y. Moh and C. C. Nieh - who spearheaded the unprecedented growth of Chinese industry to fill the demands of emerging markets; and which laid the foundations for the maturation of a bourgeoisie – as a class for itself. In contemporary China the entrepreneurs are engaging a very different type of market - that of the constantly expanding field of technology. This has included mobile apps, advertising, business incubators and online services. Finally, many entrepreneurs have even left their current positions, many with healthy salaries, to capitalize on opportunities in emerging markets, and to risk an uncertain future for the potential to produce a successful business model.

Furthermore, China's entrepreneurs have become secularized – engagement with market demands, and the resultant rise in rationality, has also created an increasingly independent-minded entrepreneurial class. The result has been the growing detachment of the entrepreneurial class from the party's absolute ideology and its claim to dogmatic truths, in the same way that this sphere of economic freedom detached the western entrepreneur from the grips of the state's ideological framework for governing social and economic organization. The entrepreneurs interviewed noted the differences between their parents' generation and the reform era generation of entrepreneurs, in particular, the amount of freedom they are afforded and the consequences of this freedom in fostering a new philosophy. Furthermore, many of the entrepreneurs made reference to the ways in which the party has attempted to manage the formation of new ideas and maintain ideological superiority over them, such as the use of the formal education system or the media. Notwithstanding, the entrepreneurs have indicated their growing immunity to the ideology of the party as they increasingly assess its validity. Thus, evidence suggests the emergence of a foundation of rationality and independence necessary for the new philosophy based upon rights and freedoms – a bourgeois philosophy in the legal and political sense of the term.

**Q5: How has the absence of a property-law environment, and the occurrence of state predation, effected the entrepreneurial class, and with what consequences for the development of an interest-based, socially powerful initiative based upon the need for the constitutional rule of law?**

The fifth research question established the correlation between the pervasion of state predation and the subsequent growth in an entrepreneurial imperative for legal protection. At the heart of entrepreneurship is capital creation and private property – both a natural consequence of economic freedom and market growth. As history has instructed, when economic reforms commence within the context of traditional political institutions, a fundamental issue immediately comes to the fore: the growth and proliferation of private property without the presence of legal institutionalization, which becomes a necessary mechanism to protect private property and ensure stability and predictability within the economic sphere. In fact, to exacerbate the situation, the officialdom are increasingly lured towards exercising corruption as a result of the



declining prestige and economic value of their positioning in relation to the individual wealth amassing below their ranks. In turn, the state's agents resort to state predation, which creates the entrepreneurial impetus for the rise of legal interests – that of private property and the rule of law – and the growth of a bourgeois society in the legal sense of the term – commencing the second stage in the evolution of a bourgeoisie.

China has been no exception to this rule. China's officialdom has embarked upon a massive predatory movement, much of which is targeted against the entrepreneurial class, and which is caused by two fundamental factors. One relates to the increasingly fragile organization of the party due to a diminished sense of purpose, resulting in a degree of official bewilderment that resorts to considerable corruption. In China's revolutionary years, especially early on, the officials were imbued with revolutionary purpose guided by a firm belief in the ideological foundation and the objectives that the party sought to achieve. In contemporary China, this revolutionary fabric has disintegrated, which leads to the second component of this particular problem: the ideological foundation has remained amidst economic reforms, while the organizational structure of the bureaucracy remains de-institutionalized. The consequence is the resort to informalism and 'personalistic networks' and 'disillusioned, status-conscious, and undisciplined cadres' (Xiaobo Lü, 2000, 22-23).

The second issue relates to market opportunities in the context of state monopoly on regulatory, distributive and enforcement powers. As a result, officials abuse these powers at the expense of the entrepreneur, and for their personal gain. This occurs not only at the individual level, but not uncommonly, through agencies or units as a whole. Corruption has manifested itself in the form of bribery, extortion and imperious policing. Powers of regulation are intimately connected with bribery, such as in the example of the Jing'an fire in 2011 in Shanghai: the Shanghai locality, which was initially employed with the responsibility of overseeing repairs, not only accepted bribes when granting contracts, but furthermore, neglected its duty to ensure repairs were conducted in accordance with prevailing standards. The consequence was the death of 53 people and the hospitalization of another 70. Examples of extortion include the Bo Xilai incident, where entrepreneurs' property was expropriated, and where the locality exercised imperious policing powers.

Many of the interviewees equally indicated their exposure to corruption. One entrepreneur, for example, spent six months considering a location for the opening of a second branch. On the eve of securing the property, the government locality arbitrarily prohibited its establishment. One particular entrepreneur indicated multiple occasions where he was subjected to the consequences of extortion and bribery: to register his company, he was forced to hire an agency which has established ties with the local party, and as a result, not only does he have to use this agency but registering is an ongoing process – it continues ‘2, 3, 4, 5, 6 times and so on’. Furthermore, the local tax bureau forced him to attend classes on how to pay taxes, and to pay for the classes, though as he noted, ‘yet everyone already knows how to do this – it is just a money-maker’ (Witness 18). Finally, he was forced to buy an expensive device – 2,500 RMB - to facilitate payment of taxes, yet as he notes, not only was it unnecessary, but furthermore before he even used it he was forced to buy an updated version of the device for another 2,500 RMB. The manufacturer of this device has familial ties to the tax bureau. As a result, the interviews revealed the growth of entrepreneurial disaffection with the prevailing legal and political system in the absence of property law, indicating their understanding of a strong correlation between corruption and China’s one-party institutions, and the subsequent need for legal institutionalization in order to protect private property. As one entrepreneur noted when asked if it is possible to administer the rule of law within a sing-party system, ‘it is a slogan of government, just a slogan. Single-party is the root. They are the problem. They are the reason why the rule of law and private property are only slogans and do not adequately exist in society. The government only protects their own benefits’ (Witness 10).

**Q6: What are the liberal political characteristics of the entrepreneurial class such as independence from the party-state; liberal political awareness and a rights-based platform; and active engagement in political discussion and organization?**

The final research question provided evidence supporting the evolution of a bourgeoisie in the political sense of the term, characterized by not only the embodiment of liberal political values such as political representation, separation of

powers, and fundamental rights and freedoms, but also a class which becomes a class for itself, actively seeking to establish its political principles through the transformation of the political institutions. This became a pivotal point in the evolutionary process of the bourgeoisie: the consequence of a dependent and conservative sociology was fascism or communism, the consequence of an independent and liberal sociology was democracy. Evidence suggests the growth of a Chinese entrepreneurial class that is consciously seeking independence from the state. The statistics of entrepreneurs in the party indicate not only a low level overall, but furthermore, they reveal that many of the members are former managers within the state-owned enterprise system, thus uncovering the fact that they were first and foremost officials before they were entrepreneurs. Furthermore, not a single interviewee was a party member, nor did any have a desire to join the party; and they also indicated that although party membership was desired in previous generations, in their generation in general, and within the entrepreneurial class in particular, the desire for party affiliation and state involvement is limited. Furthermore, the party's control over not only key economic industries, but also the absolute power it wields, has also forced entrepreneurs to engage in bribes and gift-giving, to name a few informal and illicit exchanges, in order to obtain licensing, resources etc, for their businesses. Nonetheless, the majority of entrepreneurs interviewed indicated that they had no such relations with the government nor did they want to engage in this activity: not only was it more costly in the end, but as indicated above, the entrepreneurs increasingly desire the implementation of the constitutional rule of law and democratic process over a system of informalism and dependency.

The entrepreneurial class is also increasingly adopting liberal political values, and, they are beginning to show signs of organization around these values in a way that evokes the development of the critical-political public sphere in the evolution of a western bourgeoisie. The liberal values embodied include the idea of separation of powers, direct elections, the rule of law and constitutional governance and individual rights and freedoms - principles that came to represent the political platform of the western bourgeoisie. Furthermore, within this growing entrepreneurial class, a new generation of independent minds and growing political activity is emerging in the *Baling Hou* generation. This generation represents the netizens of contemporary China, or those social elements which are Internet active, in particular, in the context

of political discussions through vehicles such as Sina Weibo. Thus the advent of the final stage of development – that of the growth of not only an independent entrepreneurial class, but one for itself, through the vehicle of a critical public sphere. In China, this sphere has emerged primarily within the world of cyberspace, and has been increasingly effective. Cases include the land grabs in Wukan, where viral discussions and protests created a situation where the party had to concede to the voice of society – and the implementation of local elections were the outcome; the Bo Xilai conspiracy which fostered entrepreneurial discussion on weibo; and overall, forced transparency within the party, the consequence of which is the entrepreneurial class' exposure to the problems of China's one-party institutions.

In conclusion, contrary to scholarly literature which has discarded the notion of a liberal entrepreneurial class and which has subsequently discarded a Chinese path towards the liberal liberation of the its people, this project has identified an emergent entrepreneurial class with potential for political maturation into a bourgeoisie. The social forces behind the Tiananmen crisis were unsuccessful in breaking the back of the party: the social forces were underdeveloped in liberal political principles and vision and under-organized around liberalism; not to mention the fact that the entrepreneurial class had performed a sideline role. With the continued growth of the entrepreneurial class, and the evolution of their bourgeois characteristics – economic, legal, and political - based upon engagement with markets and the value of private property, the foundations of a bourgeois society are being set. As a consequence, the formation of a class for itself, a bourgeois society in the political sense of the term, is becoming more likely in China. As a result of this growing bourgeois foundation in China, we should expect to see a Chinese bourgeoisie emerge in China, who are successful in forcing the constitutional rule of law and implementing democratic principles in place of one-party institutions characterized by the individual rule of law and absolutist governance.

## Appendices

### Appendix 1: Introduction Letter 介绍信

This letter is to introduce Michael Drake, who is a 3<sup>rd</sup> year Ph.D. student in Politics at Durham University, UK and who is working as a fieldwork interviewer regarding the relationship between China's market economy and private entrepreneurs.

我是Michael Drake, 英国杜伦大学政治学3年级的博士生。目前在进行关于中国市场经济和私营企业的课题研究

The interview will take up to 60 minutes. I will ask you questions about your opinions and experiences on China's business environment. In particular, I am interested in your attitudes and opinions on how you as a business owner perceive the economic and political situation in China – specifically in terms of its impact on your business. There are no right or wrong answers – I would like to hear whatever you have to say. In fact I encourage you to expound as much as possible on the questions, and if compelled, to make addition comments that you feel are useful - even if not directly related to the question at hand. If you feel uncomfortable about any of the questions and you don't want to answer them, please let me know and I will move on to the next question.

这个访问将会持续60分钟。我将会问您一些关于中国商业环境的问题。特别是您作为企业拥有者，是如何看待中国政治和经济环境的，以及这些对您的经营产生的影响。这些问题没有错与对，请您畅所欲言。如果遇到您不想回答的问题，请您告诉我，我们将会跳过这些问题

I will take notes during the interview, and may also ask to record its content. This is to ensure that I learn as much from the interview as possible. If you are not comfortable with the practice of recording, then please let me know.

我在整个访问的过程中会做笔记和录音，是为了保证我可以完全记录下访问的内容。如果您不希望录音，请告诉我

Any information that you provide will be treated with the strictest anonymity and confidentiality. In all research reporting, I will make sure that you cannot be

identified. If you have any concerns during or after the interview, you may withdraw from the research or ask that the information provided be discarded.

所有访问内容会完全保密，仅作研究用，不会泄露任何个人信息。如果您在访问的过程中或之后担心这些，您将不会作为访问对象，所有相关资料将会消除

Finally, if at any point you have questions or concerns, you may contact either my supervisor Dr. David Kerr or myself at the contact information listed below. Thank you for taking the time to assist in my research project.

如果您有任何疑问或担心，请联系我的导师David Kerr或是我本人。联系方式如下。谢谢您的协助此项研究

Sincerely,

Michael Drake

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## **Appendix 2: Interview Questionnaire (English and Chinese versions)**

### **I. Demographic Information**

1. Sex性别:
2. Age年龄:
3. Education level学历水平:
4. Previous Occupation曾经从事的职业:

### **II. Interview Questions**

#### **A: Economic Freedom**

1. What do you do for a living? How would you define your position in Chinese society?

您目前以什么为生？您觉得您目前在中国社会中处于什么样的阶层（位置）

2. If I can ask, what did your parents do for a living? How does your life differ from theirs?

您父母以什么为生？您的生活和您父母有什么不同？

3. How do you feel about China's new market economy and new societal wealth? Do you think that China has a class system like that in Western countries?

您对中国的新市场经济和社会财富程度怎么看？您觉得中国目前是否存在着和西方国家类似的阶级？

4. Do you think that China will have a 'middle-class society' such as exists in the West?

您觉得中国会变成类似西方目前存在的中产阶级社会吗？

5. As a result of China's modernization, do you feel that a new mentality has emerged in China's entrepreneurs? Explain.

鉴于中国的现代化，您觉得在中国的私营企业主阶层中出现了一种新的思路或心理吗？请解释。

## **B: Private Property and the Rule of Law**

7. How many people work in your business?

您公司/企业有多少员工？

8. Do you feel there are any factors which prevent you from maximizing on economic ventures and acquiring wealth?

您觉得目前有没有一些因素影响到了您扩大经营规模和盈利？

9. Is it better to increase the size of your business, or remain small? Why?

您觉得扩大生意规模对您是否是一个很好的选择？还是保持现状？为什么？

10. What is your understanding of private property? Does private property exist in China?

您对私人财产是如何理解的？私人财产在中国是否存在？

11. Do you feel that China's legal system adequately protects your property? Do you think private property protection and the rule of law have been strengthened in the recent period?

您认为中国的法律是否能够足够保护您的财产？您认为在最近一段时期私人财产的保护和法律规则是否得到加强？

12. What is your view on corruption in China? Do you feel a need for the rule of law in order to limit corruption and protect your property?

你怎样看待中国腐败现象？你认为依法治国可以遏制腐败和保护你的财产吗？



13. Is it possible to effectively administer the rule of law inside a single party system?

If not, what is the solution?

您认为在一党制的系统下，法律规章制度是否可能有效地进行管理？如果

不是，您认为有什么解决办法？

### **C: Political Life**

14. How would you characterise the relationship between your business and the government? Do you have good and beneficial relations; or are there some issues?

您如何描述您的生意/业务和政府之间的关系？是不是一个良好且有益的关系？

或者是否还有一些其他方面的事情（关系/因素）？

15. Are you interested in China's politics? Do you think business-people should take an interest in politics; or is it best to keep politics and business separate?

您对中国政治感兴趣吗？您觉得商人是否应该对政治感兴趣？还是最好将政治和经商分开？

16. Are you involved in the CCP? What is the purpose of your involvement in the CCP?

您是中国共产党党员么？您加入中国共产党的目的是什么？

17. Do you think that China will retain a single party system for a long time? What is your impression of the views of business-people on this matter?

您觉得中国是否会在很长一段时间内保持一党制？您从商人的角度是如何看待这个问题的？

18. Do you think the government will introduce direct elections for people's congresses? Would you support this move now; and what is your impression of the views of business-people on this question?

您觉得中国人大采取直选的方式吗？您会支持这个变革吗？从商人的角度是如何看待这个问题的？

19. Do you discuss politics with other business members? How much political discussion do you see among the business-people?

你是否和其他商会成员讨论政治?据你观察商人当中讨论政治的比例是多少?

20. What is the future of China's entrepreneurs?

中国私营企业主阶层的未来是什么?

## **Appendix 3: Interview Transcript (Witness 9)**

### **I. Demographic Information**

1. **Sex**性别: M

2. **Age**年龄: 33

3. **Education level**学历水平: BA

4. **Previous Occupation**曾经从事的职业: Graduated in 2001 and then worked in the importing business

### **II. Interview Questions**

#### **A: Economic Freedom**

1. What do you do for a living? How would you define your position in Chinese society?

您目前以什么为生? 您觉得您目前在中国社会中处于什么样的阶层 (位置)

a. I own two companies. One is restaurant, and the second is an import company (food additives) (opened this trading company in 2004). In the restaurant I have 10 employees; and in the trading I have 3 employees.

b. I don't know all the positions in western society, but here they call it small business owner. So really between the normal people and the middle class.

2. If I can ask, what did your parents do for a living? How does your life differ from theirs?

您父母以什么为生? 您的生活和您父母有什么不同?

a. My father works for the government. He works for HR for the government – for the Army. My mother is a worker in a SOE.

b. Of course it is different. I am better than my parents. Because in their age – their generation – they have little money, everyone was the same, earned the same amount. We may work in different place but we all get the same pay. Even if you are very talented you still get the same pay. So I think that now we can work hard and earn much more money so it is different. I can have my dream and my dream can come true.

3. How do you feel about China's new market economy and new societal wealth? Do you think that China has a class system like that in Western countries?

您对中国的市场经济和社会财富程度怎么看？您觉得中国目前是否存在着和西方国家类似的阶级？

a. I think that the rich man is more rich and the poor man is more poor. Because I think in China things are not balanced. You can work and have nothing and then you have a chance and can have money, it is like a gamble. I ask why are the rich very rich and the poor very poor? If you have an apartment in Shanghai 10 years ago, you can now be rich because 10 years ago the apartment is a low price, but if you don't have an apartment you cannot afford an apartment now. [Is it good or bad?] It is good, you have this chance to make money. Now you can realize your dream and your dream can come true. After you earn money and realize a greater quality of life your mind will change, your way of thinking about all of China. You have to first get full before you can start caring about things like the environment, and the city etc. Moreover, and then when these people who get rich and start caring about these other things, they will influence people who are poorer and the quality of people will rise.

b. Yes China does have a middle class.

4. Do you think that China will have a 'middle-class society' such as exists in the West?

您觉得中国会变成类似西方目前存在的中产阶级社会吗？

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5. As a result of China's modernization, do you feel that a new mentality has emerged in China's entrepreneurs? Explain.

鉴于中国的现代化，您觉得在中国的私营企业主阶层中出现了一种新的思路或心理吗？请解释。

Of course there are changes. For my parents' generation everything is different, even their way of thinking, the education and ideology was also different. For previous generations of businessmen, the thing they cared about was how to earn money; the thing I care about now is not only the money but also how I can develop my business and make it prosper. For example, if you give me the choice now of course everyone wants to get money; in this business you can get a lot of money now these days. But instead of getting rich fast, I want to develop my business and take the long-term approach (even if it is less profit in the short-term). The biggest difference is that before people were doing business just to get themselves food and clothes, to make themselves fat, and that is why they only care about money. But now they are not just fat and have clothes but they also have a house and other things, and so now they are thinking further – about development. And of course the development of science and technology, take email for example. For example for our restaurant, if I want menu design, this is very good the science and technology. Before you had to go abroad to do this; now I can just go online and check out the basics for menu design.

## **B: Private Property and the Rule of Law**

6. How many people work in your business?

您公司/企业有多少员工？

7. Do you feel there are any factors which prevent you from maximizing on economic ventures and acquiring wealth?

您觉得目前有没有一些因素影响到了您扩大经营规模和盈利？

There are some. The main one is related to government. For example, I am looking for other areas to open up additional branches of their restaurant. But in these areas, where there are little shops, the government doesn't let me open up a restaurant branch in that location, and in areas in general that I feel are very advantageous. The problem is that the law is not stable, and it changes every day. Same areas maybe 4 years ago we could set up our restaurant, but after 4 years we cannot set up our restaurant. In one area that I feel is perfect for their restaurant, I now cannot set up a second location. This is because the law changes all the time, and in my case it kept me from setting up my second restaurant. This is a very important factor.

If you have some guanxi, if you are a leader in government and you know this person, then you can set up the restaurant. Even if it is prohibited by law, if you know a government official in charge of that area then you can open the restaurant. I am of course not happy with this system. It is unfair. I work very hard. For example, my wife is a lazy girl. I'm a smart boy and she is a lazy girl. But she has a relationship with the government. [wife adds – if you want to do business in China, you need to do a lot of socializing (dinners, drinking, etc.) with officials]. So we spend a lot of time socializing - this is another business.

8. Is it better to increase the size of your business, or remain small? Why?

您觉得扩大生意规模对您是否是一个很好的选择？还是保持现状？为什么？

Increase is good. I want to develop but for him there is a limit. I don't want to be a Bill Gates or Warren Buffet. They want to enjoy their life just like me, and I want to enjoy it after 4 or 5 years when I am stable. But I will stop after I open maybe another 3 or 4 more branches open up.

9. What is your understanding of private property? Does private property exist in China?

您对私人财产是如何理解的？私人财产在中国是否存在？

No. America Bank is not the property of US government. Because the government does not control the bank so all the operations with money and currency has no connection with the government. So if you get rich and you want to invest, then the methods are very different: the government makes them rich and expands their business, but at the same time the government takes all the businesses harvest and it is very easy for the government to do this. One minute you can be rich and the next poor because of this. The government and the banks etc. are all connected to the government, they are not separated and therefore your own property. So for his property this has a big influence; the business may be big, but the profit small because the government takes this. I will invest his money into other businesses etc. but I will lose this money because government will take it away.

10. Do you feel that China's legal system adequately protects your property? Do you think private property protection and the rule of law have been strengthened in the recent period?

您认为中国的法律是否能够足够保护您的财产？您认为在最近一段时期私人财产的保护和法律规则是否得到加强？

It protects against certain things. For example, if the government wants to take or destroy his building they will give me compensation and I can negotiate with the government.

11. Is it possible to effectively administer the rule of law inside a single party system? If not, what is the solution?

您认为在一党制的系统下，法律规章制度是否可能有效地进行管理？如果不是，您认为有什么解决办法？

This is a very sensitive question. [skips this question]

## **C: Political Life**

12. How would you characterise the relationship between your business and the government? Do you have good and beneficial relations; or are there some issues?

您如何描述您的生意/业务和政府之间的关系？是不是一个良好且有益的关系？或者是否还有一些其他方面的事情（关系/因素）？

There is a relationship. They help the small business owners, because they help you invest your money. Small businesses help employ people and deal with problems, so the government invests in these businesses. But when they get rich the government takes the profit from them. They invest in businesses now, but then take profit away.

13. Are you interested in China's politics? Do you think business-people should take an interest in politics; or is it best to keep politics and business separate?

您对中国政治感兴趣吗？您觉得商人是否应该对政治感兴趣？还是最好将政治和经商分开？

No I am not interested in politics. I am interested in watching politics or reading about it. Because there may be something that I pick up or something I see, I do stay interested. I opened a restaurant because the government now is supporting consumer products that come from places such as restaurants, this industry. This is why I read the paper and watches politics on the news.

14. Are you involved in the CCP? What is the purpose of your involvement in the CCP?

您是中国共产党党员么？您加入中国共产党的目的是什么？

No



15. Do you think that China will retain a single party system for a long time? What is your impression of the views of business-people on this matter?

您觉得中国是否会在很长一段时期内保持一党制？您从商人的角度是如何看待这个问题的？

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16. Do you think the government will introduce direct elections for people's congresses? Would you support this move now; and what is your impression of the views of business-people on this question?

您觉得中国人大采取直选的方式吗？您会支持这个变革吗？从商人的角度是如何看待这个问题的？

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17. What is the future of China's entrepreneurs?

中国私营企业主阶层的未来是什么？

It is all connected. It starts with the economy, and then the little business owners will become really big, and then there will be more and more businessmen who will be chosen as government representatives from this group, and then they will already have the power to speech and advise, and that is how they will improve the conditions for their business, and is how they will influence the government later. The businessmen will be the representative of the people when they get to this position, and into the government. They have money, then they have social alliance, and so they have power. I hope I have the same future. I want to change China at this level. I want to see Chinese people living not just surviving.

## **Appendix 4: Interview Transcript (Witnesses 14)**

### **I. Demographic Information**

1. **Sex**性别: F
2. **Age**年龄: 38
3. **Education level**学历水平: BA
4. **Previous Occupation**曾经从事的职业: Worked in an advertising firm

### **II. Interview Questions**

#### **A: Economic Freedom**

1. What do you do for a living? How would you define your position in Chinese society?

您目前以什么为生? 您觉得您目前在中国社会中处于什么样的阶层(位置)

Education training, including headhunting. My husband and I are partners. Educational training/consulting for multinational companies for first 9 years of business, and began headhunting in the past year.

2. If I can ask, what did your parents do for a living? How does your life differ from theirs?

您父母以什么为生? 您的生活和您父母有什么不同?

Totally different. My parents, actually my father's family was a well educated family; but my grandparent was executed in 1949. So after that, the right for my father to go to school was taken away by the government (so he is only a middle school graduate). But he believes that education is the most important thing as I raise my kids. His dream, then was for his kids to be educated and successful.

3. How do you feel about China's new market economy and new societal wealth? Do you think that China has a class system like that in Western countries?

您对中国的市场经济和社会财富程度怎么看？您觉得中国目前是否存在着和西方国家类似的阶级？

A lot of opportunities – the number on the paper looks very well now. But I'm not sure about the reality, what is really going on inside of China. There is a lot of problem with economic development. One of the KPI's (key performance indicators) for local officials is GDP. So you always see that the GDP numbers look like perfect numbers on paper – some are real and some are not real. If they can get GDP higher, then they can also get a higher position, and with a higher position they can get more power and more chance to steal money. So everyone tries to make up the GDP stats. So definitely our country has grown up a lot in the past 10 or 15 years, huge difference compared to before, but there is a lot of potential danger too. But overall I am concerned. Small companies will start to lose business because of taxes and difficulty in raising money to develop their business. But in China the economy depends on these small businesses. For example recently a couple factories in Jiangsu province shut down and redirected their capital into the stock market etc., because it was too much pressure for them within this type of environment to run the factories. Small companies have a very difficult time raising money, so they use illegal financing. For example, I am one, I collect all the money together - I know a lot of rich guys. But it is illegal.

There is a lot of risk for those in lower levels, but the entrepreneurs have no choice. Let me tell you an interesting case. There was a woman who was 26 years old who graduated from middle school. She became a billionaire within one year. She drives a Maserati, and buys streets of real estate. She is in jail now. The first round of judgment from the courts was that she would be executed within one year because she is one of the illegal funders (part of these illegal groups). She will be the case that is watched by the local governments. She collected money from people, then provided funding for small businesses and charged 30% interest. One of my friends is also doing this. This kind of business is so easy to run, there are a lot of small companies

that need cash so he can make a lot of money. So he makes a deal with people: he said if you give me this kind of cash (1 million) I will put 100,000 RMB in your account every month, and he collects 10 of these, maybe even 100, and then charges 30% interest to the businesses that he provides financing to. He will also go to Macau once a month to gamble and every time he will take half million in cash, just for fun. This example illustrates how hungry the small companies are for support, and therefore how easy it is to make money in this way. His wife will get 20,000 RMB purse every month (laughing); she is driving a 2 million RMB car. The reason why he has confidence doing this is that he has a really good relationship with local government officers.

4. Do you think that China will have a ‘middle-class society’ such as exists in the West?

您觉得中国会变成类似西方目前存在的中产阶级社会吗？

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5. As a result of China’s modernization, do you feel that a new mentality has emerged in China’s entrepreneurs? Explain.

鉴于中国的现代化，您觉得在中国的私营企业主阶层中出现了一种新的思路或心理吗？请解释。

Definitely we have a lot of opportunities here. I believe there are huge differences between me, who is dealing with multinational companies, and those who are dealing at the local level.

The entrepreneurs are very desperate. The truth is if you want to do well you need to have a lot of good government relationships. And you need to make a lot of dirty deals with them. For us we feel it isn’t right, but we have no choice if you want to run and expand companies. Also, I heard from some of my friends that it isn’t that you only don’t get enough support from the local government, but also if their business begins to run very well the local officials will feel jealous, and if that official’s brother or sister wants to run that business, they will even try their best to take it away.

[When asked ‘How long do you think this will continue?’] She replied: Until we change the one party system. Otherwise we will never have hope. But since the invention of internet, and in China twitter was allowed to run, we get a lot more information. It is impossible for the government to try and prevent us from acquiring information. And because of this I believe a big change will come soon for the government. Either themselves or they will be changed by people in China. They have created a lot of anger in this country. People hate the rich guys, and hate those who have power. I asked my husband, does this same phenomenon happen in America? He said normally not, because the rich guys their are using their minds, brains, they work hard and have ideas, but not here. Rich guys here are rich because they screw people, because they have relationships, because they are doing some illegal dirty business, but are protected by the government officers. It is dangerous now.

## **B: Private Property and the Rule of Law**

6. How many people work in your business?

您公司/企业有多少员工？

Previously had employees, but not currently.

7. Do you feel there are any factors which prevent you from maximizing on economic ventures and acquiring wealth?

您觉得目前有没有一些因素影响到了您扩大经营规模和盈利？

I remember one time we went to a small city near Shanghai to set up university there, but we must get land first. [I don’t want to say the city’s name]. The government said we will fully support your business, and in fact you can get the land for free. My husband was so excited. But I told him that the reason why we can get this land for free, the reason why he is because it means the official will get money in his account as a result. But in China you can’t run a business without doing this, and that is a very frustrating feeling.

8. Is it better to increase the size of your business, or remain small? Why?

您觉得扩大生意规模对您是否是一个很好的选择？还是保持现状？为什么？

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9. What is your understanding of private property? Does private property exist in China?

您对私人财产是如何理解的？私人财产在中国是否存在？

No. The Chinese government robs and takes property, and will use all kinds of different excuses to take it away. Did you know that even if you die in China and want to buy a burial spot, you can only get the right for 20 years. Either you are refunded, or if they cannot find kin, they just throw it away and use the land. And also the land is always owned by the government and housing for example is only yours for 70 years.

For example everyone knows it (noncompliance with the 'law') isn't right, but everyone still does it because they know they can't survive without it. I use to talk to Tom and I told him if you don't do this you will not have any business. He said I don't want to do that. He said I hate that. I want to come here and help the Chinese make changes. I said alright, do you know the meaning of revolution? It means somebody needs to lose blood, some people need to lose heads. You come here to make money, if you want to do that - great do that. Maybe after two generations revolution will happen, but it will not change for a long time.

10. Do you feel that China's legal system adequately protects your property? Do you think private property protection and the rule of law have been strengthened in the recent period?

您认为中国的法律是否能够足够保护您的财产？您认为在最近一段时期私人财产的保护和法律规则是否得到加强？

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11. Is it possible to effectively administer the rule of law inside a single party system?

If not, what is the solution?

您认为在一党制的系统下，法律规章制度是否可能有效地进行管理？如果

不是，您认为有什么解决办法？

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### **C: Political life**

12. How would you characterise the relationship between your business and the government? Do you have good and beneficial relations; or are there some issues?

您如何描述您的生意/业务和政府之间的关系？是不是一个良好且有益的关系？

或者是否还有一些其他方面的事情（关系/因素）？

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13. Are you interested in China's politics? Do you think business-people should take an interest in politics; or is it best to keep politics and business separate?

您对中国政治感兴趣吗？您觉得商人是否应该对政治感兴趣？还是最好将政治和经商分开？

Chinese politics are dirty.

When I was 12 years old I already knew that Chinese politics were very dirty – it is a very dirty game. Do you know why? In China's schools they always have different kind of levels. They call it kids officers. It is very complicated – they learn from Russia. Each school they have pioneers system – number one students represents the whole pioneers and he or she should be the model. Actually they announce that this person was selected by the students, and each party gives a speech and the students can come to vote. But teachers like kids like me; I will not be too dangerous, I will not be a big mouth girl, I will study well. One of the teachers had an individual meeting with me and said 'if you are selected as the number one student, what will you do', if, right [laughing]. Because I know I was not very popular and I knew I would not be selected by the students. But when the teacher asked me that, when I

was 12, I told my father I will be elected for this position – because everything is fake in China if you talk about election, politics, everything is fake. So I'm not interested in touching that. So I was elected but it was not a real election. If the government says 'A' we will understand it as 'B' or 'C', as we won't believe it.

14. Are you involved in the CCP? What is the purpose of your involvement in the CCP?

您是中国共产党党员么？您加入中国共产党的目的是什么？

No. But even if offered I would not accept it because my grandfather used to be a KMT officer, a provincial mayor, and he was executed by the CCP.

Even graduates don't care about this membership – it is only out of necessity. Most fortunes are controlled by the government, whether you are directly in the system or not (through relationships).

[Where are they getting this money from?] Depends on what kind of power you have. For example if you work for the fire bureau. How can you get your money? In China if you want to build something you have to put a fire system in there. You can buy whatever product you want to buy; but before you start to sell this building you must get approval from the fire bureau's leader. Some of the guys who use the local cheap, quality products can get approval so easily; yet those who use the high quality products don't get approved – you know why? Because if you pay me. For example if you work for the education bureau how can you get money? Well you need a license to open the school, right. No matter how well you did, with preparations, buildings, teachers, they can always find excuses not to give you the license. Some people have fake companies registered – with nothing there; it is so dirty here.



15. Do you think that China will retain a single party system for a long time? What is your impression of the views of business-people on this matter?

您觉得中国是否会在很长一段时间内保持一党制？您从商人的角度是如何看待这个问题的？

That is there dream, but after the invention of internet and twitter I don't know for how long.

16. Do you think the government will introduce direct elections for people's congresses? Would you support this move now; and what is your impression of the views of business-people on this question?

您觉得中国人大采取直选的方式吗？您会支持这个变革吗？从商人的角度是如何看待这个问题的？

They already announce that they are doing that [laughing]. Unless they lose power and are kicked out they will never do that.

Some people say we need to wait until the country is managed by the *Baling Hou* generation. I think when the *Baling Hou* are in their 40s, in 15 more years, that we might have a chance. But the dangerous thing is that we have too long of a history, ok, and as soon as you get power, maybe they too start to enjoy the power in their hands.

An interesting case happened. I got a chance to watch a documentary on Tiananmen Square in 1989. The woman making the documentary is American but grew up in China. You cannot find it here but when you go back you can see what really happened. One point she made concerned the students who tried to organize and fight against the government: one of the protestors (called Chai Ling), who was suggested for the Nobel Peace Prize and who was a student leader at Beijing University, began to develop into those people who get the power in our country and all do exactly the same thing, because we are raised like this - in a way that encourages one who

acquires power to take advantage of it. But this is twenty years later and things are different and the hope is in the *Baling Hou* generation.

I hate this system and I wish it can change.

17. What is the future of China's entrepreneurs?

中国私营企业主阶层的未来是什么？

It depends on the kind of business. Can I talk more about China's danger?

Pay attention to farmers that lost their land. They are easily fooled because they are not educated, and so the government used very cheap money to steal their land and told them 'I'll give you free apartments', etc. 'and you can go to cities to work and make more money'. So they were excited to come to Shanghai, Beijing etc., and make money. But their kids?: No insurance, schools, jobs etc. And the numbers are huge – about 1/3 of the people in China. That is why they don't allow a belief system in China – it worries the regime; it is an excuse to control this group of people. If there is a belief system, and people start to fear natural things, then maybe things can change.

I love my country, but this country if they don't change the system it will be a big mess – it's dangerous. All the pretty things they report to central government – what percentage is actually real? Shanghai is only Shanghai.

The government has so much fear. There was an article on Chinese twitter about how to control the people in Germany. One of the guys responsible for this broadcast on twitter listed 8 points – how to fool the people. This is exactly what the Chinese government is using right now. But the internet and twitter, with these, they cannot fool the people anymore.

A couple days ago I recall in my mind that Chairman Mao was a tall guy because we always believe if you are powerful then you are tall and handsome, we always believe he is 1.83 meters tall. But do you know what happened: he is only 1.72 meters tall. The broadcast system tried to fool people.

Also the other point I want to make is that my country does have some hope: at least now in the last 10 years no one tries to say he is a god any more. They don't encourage you to say bad things, but they won't say he is a great god anymore.

## **Appendix 5: Interview Transcript (Witness 7)**

### **I. Demographic Information**

1. **Sex**性别: M
2. **Age**年龄: 27
3. **Education level**学历水平: BA
4. **Previous Occupation**曾经从事的职业: IT - worked in Canada; after returning from Canada he began his own business

### **II. Interview Questions**

#### **A: Economic Freedom:**

1. What do you do for a living? How would you define your position in Chinese society?

您目前以什么为生？您觉得您目前在中国社会中处于什么样的阶层（位置）

a. My business is a platform, both online and offline, aiming for people who have ideas to share, who have opinions to talk to each other. So for entrepreneurs, I will provide them with desks, and for freelancers I will provide them with resources. For example, I have a board here, we call it a hero board; and later on whoever is a freelancer can put their informational profiles on there; and whoever is renting their desks it is more likely that they will need more resources, and they can look at those resources and the information will flow around.

b. People call us haigui (returning from abroad, with overseas education/experience). These people have brought new technologies and new ideas back from outside of the country.

2. If I can ask, what did your parents do for a living? How does your life differ from theirs?

您父母以什么为生？您的生活和您父母有什么不同？

a. My dad is a principal of a school in Shanghai; and my mom owns a fashion shop that sells clothes.

b. Certainly. For their generation they have ways of thinking in life, specifically a more manufactured way of thinking. So many things are the same for that generation, their paths are the same. My parents are somewhat of an anomaly, since my mom opened her business when I was really young. But most other people from that generation will have very similar experiences. Not meaning for occupation or anything, but they will experience the same things such as natural disasters and the Cultural Revolution. Many people graduated without work so the government encouraged them to do labor in countryside. But for my generation we call ourselves *Baling Hou* (born after 1980). This generation is a little different, because China opened its gate right at our generation. My parents generations will be the first to experience this as an adult. For us we are losing what we had before very quickly. For their generation nothing changed, for ages really. But for us, within 10 years many buildings are gone, and for our childhood maybe we cannot see that again; that is why is it so special for the “*Baling Hou*” age. And I think that won’t appear again for a long time in China’s history or anything.

3. How do you feel about China’s new market economy and new societal wealth? Do you think that China has a class system like that in Western countries?

您对中国的市场经济和社会财富程度怎么看？您觉得中国目前是否存在着和西方国家类似的阶级？

I think that is what attracted a lot of *haigui* to return – because they see a lot of opportunities. They know the culture compared to the foreigners who come to Shanghai to start up, and their parents are in China. The growth is not necessarily a good thing. For US or Europe the development takes over in 100 years, but China is trying to do that in 10 or 20 years. For KFC, for example, they want the Chicken to

grow fast; but you can't obey the natural law in order to get this much chicken. So they have to put something in the chicken to make it grow. So I would say that is exactly what is happening in China. What I think is missing for the back of China's growth is a revolutionary creativity. Because it is growing relatively well, so it can purchase technologies from other countries; but by doing that you are not encouraging your own technology to grow. It is growing, however, maybe you spend 10 years to do research; but that research can be purchased from another country in one day. This then can be a problem in the future. China is trying to get away from having this image of being the world's factory. By doing that it is encouraging creation or technology development, but really there is a contradiction in there.

4. Do you think that China will have a 'middle-class society' such as exists in the West?

您觉得中国会变成类似西方目前存在的中产阶级社会吗？

Certainly, yes, I am middle class. I sufficiently have enough to live, but definitely I can't go to a high-class party or anything like that.

5. As a result of China's modernization, do you feel that a new mentality has emerged in China's entrepreneurs? Explain.

鉴于中国的现代化，您觉得在中国的私营企业主阶层中出现了一种新的思路或心理吗？请解释。

I can see the style of doing business is changing. One thing, when I came back to do my business one thing that worries me is drinking, because Chinese do a lot of drinking when they do business. I myself can't drink anymore. At the time I wished I had a partner who could do all the drinking for me. But now the young generation goes to coffee places. We don't need a round table with 10 or twelve people all having big dinners so that we can start up a discussion. Many of these people either have a government background or are older. But for people like me I would like to invite people here to my business to talk and have coffee or tea. In fact this is happening with those business owners that have not had overseas experiences. Many *haigui* are very similar. We prefer to be at coffee shops or businesses, and we help

each other with business discussions. But I think people are slowly willing to accept this way. My dad for example, who is in his 50's is even starting to switch to café environments.

## **B: Private Property and the Rule of Law**

6. How many people work in your business?

您公司/企业有多少员工？

2

7. Do you feel there are any factors which prevent you from maximizing on economic ventures and acquiring wealth?

您觉得目前有没有一些因素影响到了您扩大经营规模和盈利？

I think many business owners will pay attention to politics because I think that is a sign of where we are going. If your business is not going in the same direction as the government there can be walls that are hit. For example, 10 years ago when I was talking to my parents I do think the industry for gaming and animation will be a huge sale in China; but at the moment no one thinks that way. Parents are thinking the kids are spending too much time on the comic books or playing video games. Nowadays these are huge industries in China producing billions per day or per month really. But this is primarily because the government has already realized it is an opportunity and that there is wealth in there. So for companies who are doing this business, they are receiving support in policies from the government. And they may be able to get taxes reduced or cut etc. But I was talking to an owner of a game developing company, and he was worried that maybe this won't last long because the government in the beginning wants this industry to grow, but this can change. If the government and its politics changes overnight and gaming is no longer favoured, then guess what, so things like that can change the business around in a day. Also for housing maybe 5 years ago you may invest in housing, but nowadays the government put a lot of restriction on this, on house trading. So a lot of small firms may close down because of this.

8. Is it better to increase the size of your business, or remain small? Why?

您觉得扩大生意规模对您是否是一个很好的选择？还是保持现状？为什么？

Certainly to grow is a goal. My goal is definitely to grow. One of my visions is I hope that what I am doing will help the society and country to develop certain creativities that I mentioned earlier. I do hope to see one day that there can be a company in China which will be like Google or Microsoft or Apple, that can give the young generations visions, can be attractive and when they think about things the companies will ring in their minds. So these are the things I am trying to achieve in my career goal. But for taxes or other things that will also be something to think as well, but I think that will be something to think about when I get to that stage.

9. What is your understanding of private property? Does private property exist in China?

您对私人财产是如何理解的？私人财产在中国是否存在？

That is a good question. I understand a lot of people ask that. Really you are spending millions on a house but you really don't own it. But for people's property compared to 30 or 50 years ago it is a lot better. The government says you can live there for 70 years, and I think the government will do something about it. I think it is a product from historical background, where at the time it seemed like the best thing to do. The governors are thinking very carefully what to change. They don't want to change things overnight, so they are careful as it will affect billions of people. I believe one day when that time comes that actions will be done to resolve that problem.

10. Do you feel that China's legal system adequately protects your property? Do you think private property protection and the rule of law have been strengthened in the recent period?

您认为中国的法律是否能够足够保护您的财产？您认为在最近一段时期私人财产的保护和法律规则是否得到加强？

Definitely there is room to grow to make the system better. I've lived in Canada and I see other people open their business there or in other countries, and the law protection



there is relatively better. But I am thinking it is also something related to more standards. For example, for people in Canada they have standards that are not the same in China. China is still a developing country, so it is hard to have the same standards right now. Because of this there are so many people trying to break the law and use holes in the law to make money. It is a system that will take time to build up and I think China will look at other countries and will try to learn from them.

11. Is it possible to effectively administer the rule of law inside a single party system?

If not, what is the solution?

您认为在一党制的系统下，法律规章制度是否可能有效地进行管理？如果不是，您认为有什么解决办法？

[Hesitation] I don't think it matters whether it is one, two, multiple party system. It matters instead how the party is run. Japan for example has problems, where in the past month there have been three changes in Prime Minister. So I am thinking the system really isn't the issue, but rather you have a system to monitor the system, whether you have a system to make sure there are many other systems that ensure a balance.

### **C: Political Life**

12. How would you characterise the relationship between your business and the government? Do you have good and beneficial relations; or are there some issues?

您如何描述您的生意/业务和政府之间的关系？是不是一个良好且有益的关系？或者是否还有一些其他方面的事情（关系/因素）？

Not so much. I have heard from other entrepreneurs that when they deal with government, that they care more about their reputation, of what they think they can bring for their upper management, rather than to bring something that will really help the small business.

13. Are you interested in China's politics? Do you think business-people should take an interest in politics; or is it best to keep politics and business separate?

您对中国政治感兴趣吗？您觉得商人是否应该对政治感兴趣？还是最好将政治和经商分开？

a. Yes and most business people are and should be.

14. Are you involved in the CCP? What is the purpose of your involvement in the CCP?

您是中国共产党党员么？您加入中国共产党的目的是什么？

No, but my dad is. He is a secretary in the party over a school. Interestingly, my dad hasn't encouraged or push him to become a CCP member. Before it is a huge effect to be a CCP member and it use to be hard to get into the party. But nowadays there are so many foreign companies, so really many people are really concerned about whether I get good pay etc. Before business owners were considered as capitalists which were considered bad. That is related to the Cultural Revolution. Maybe 10 years after no one talks about it anymore. But really then there wasn't anything on paper that said those people could join the party. So that was a moment no officially that those business owners can be if they want. It isn't forced; but for a younger generation, and people like me, we don't think in that way. We don't care so much. It is certainly related to your background, to how you are educated, to government backgrounds.

15. Do you think that China will retain a single party system for a long time? What is your impression of the views of business-people on this matter?

您觉得中国是否会在很长一段时间内保持一党制？您从商人的角度是如何看待这个问题的？

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16. Do you think the government will introduce direct elections for people's congresses? Would you support this move now; and what is your impression of the views of business-people on this question?

您觉得中国人大采取直选的方式吗？您会支持这个变革吗？从商人的角度是如何看待这个问题的？

No. I don't think people are yet able to think yet, certainly some of the population but not most of the people.

17. What is the future of China's entrepreneurs?

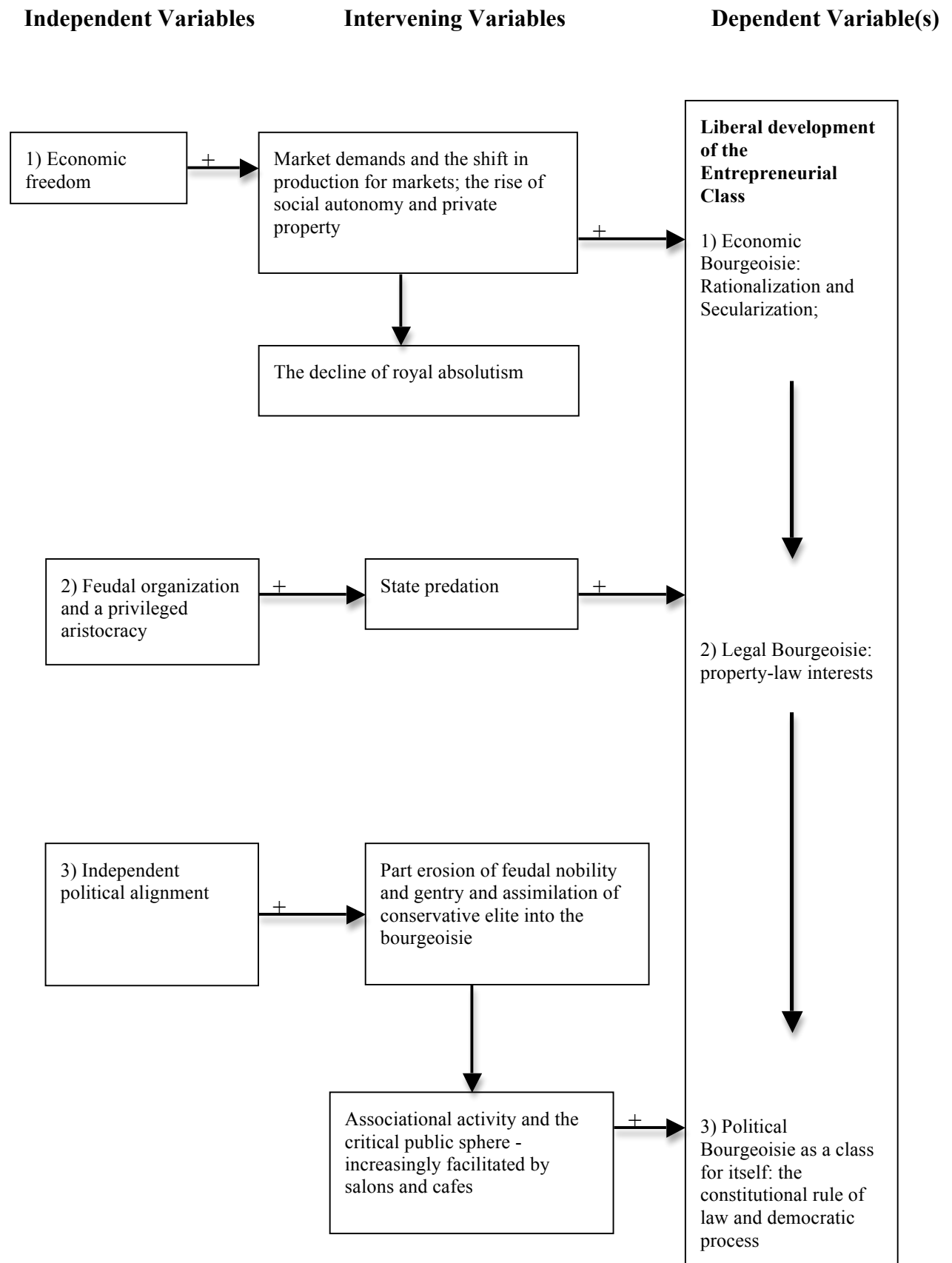
中国私营企业主阶层的未来是什么？

They are becoming more and more important. And especially for new technologies, because large companies want to hold, they want to invest money into wrong places. But small entrepreneurs for them to survive one of the key things is innovation and creativities. They are probably the first ones who will bring new technologies to China, and probably the big corporations will buy these technologies; so I think they are the hope of China, especially for a generation like us, and especially for people who have had overseas experiences. These people speak more freely and their ways of thinking are slightly different. But what I think is important is that they also need to realize that they are special and willing to not only make money but also doing something good to make the countries future a little bit better.

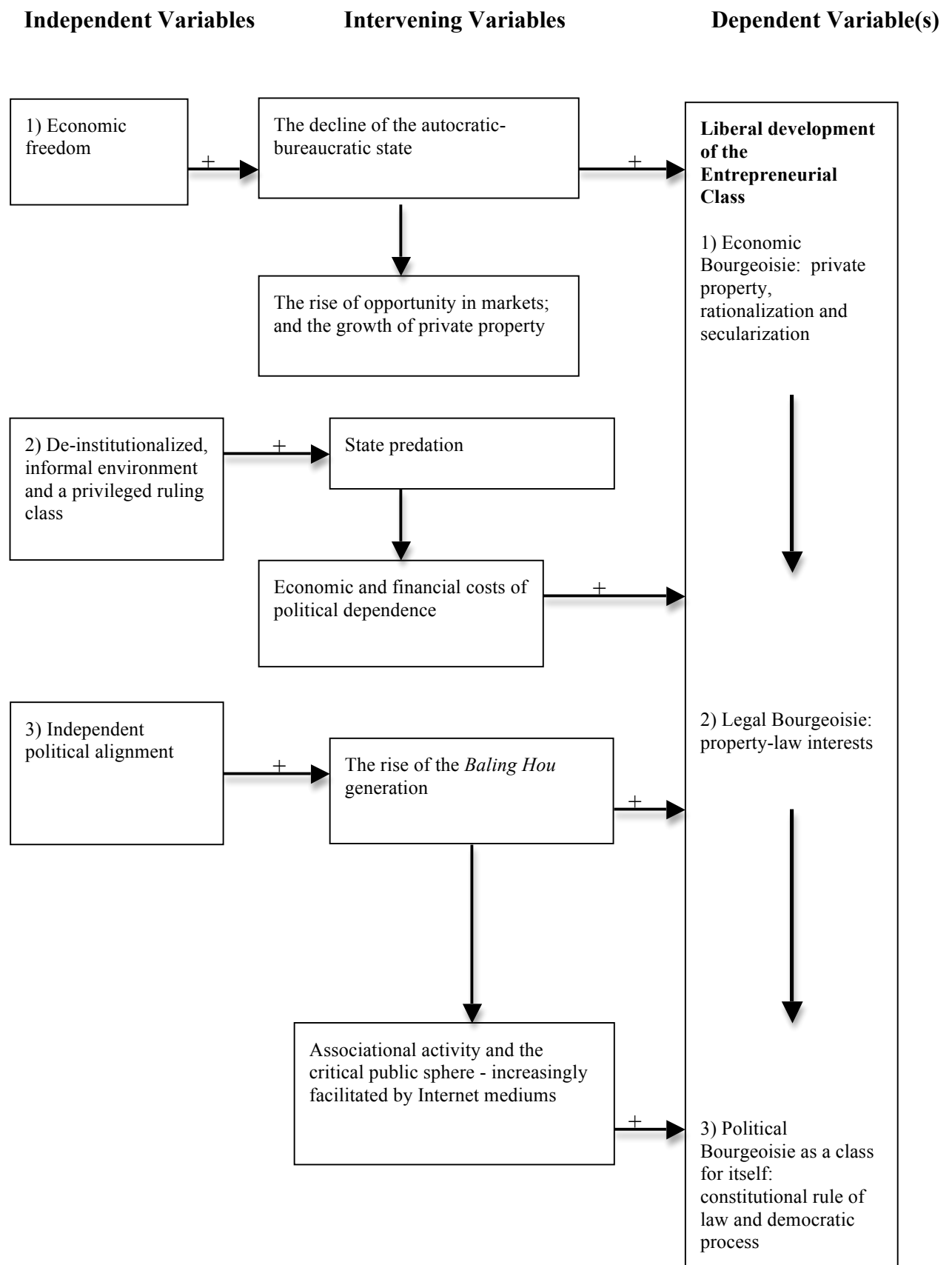
## Appendix 6: Interview Respondents' Information

	City	Age	Sex	Education level	Enterprise	Date of interview	Follow-up contact
1	Beijing	37	M	BA	Consulting	11/2010	
2	Beijing	31	F	BA	Entertainment (filming)	11/2010	
3	Beijing	44	M	Associates	Travel agency	11/2010	
4	Beijing	32	F	BA	Acting agency	11/2010	
5	Beijing	37	M	BA	Represents manufacturers of US construction materials	11/2010	
6	Beijing	50	F	BA	Advertising firm	11/2010	
7	Shanghai	27	M	BA	Business incubator	11/2010	6 follow-up meetings; 08/2011-05/2012
8	Shanghai	42	M	MBA	Café and consulting firm	11/2010	
9	Shanghai	33	M	BA	Restaurant and import food company	11/2010	2 follow-up meetings; 08/2011-11/2011
10	Shanghai	31	M	BA	Advertising firm	11/2010	
11	Beijing	32	M	BA	Real estate	11/2010	
12	Beijing	35	M	BA	Graphic design	11/2010	
13	Beijing	35	M		Wine bar	11/2010	
14	Shanghai	40	F		Consulting: Education training and headhunting	09/2011	
15	Shanghai	29	F	BA	Consulting: social responsibility and communication	03/2012	
16	Shanghai	28	M	BA	Consulting: dating	05/2012	
17	Shanghai	30	F	MA	Mobil app	05/2012	
18	Shanghai	35	M	BA	Online food sourcing	05/2012	1 follow-up conversation; 06/2012

## Appendix 7: Causal Modeling of Liberal Development in England and France



## Appendix 8: Causal Modeling of Liberal Development in Contemporary China



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